NEWS RELEASE

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JUST GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONTINUED TRANSFORMATION, DEMONSTRATING RESILIENCE

Just Group plc (the "Group", "Just") announces its results for the six months ended 30 June 2020.

Key Points: Capital and balance sheet

- **Improved capital coverage ratio of 145%**[1] (31 December 2019: 141%). Organic capital generation driven by management actions have added 9 percentage points to the ratio. Shareholders Solvency II own funds[2] per share has risen to 184p (FY19: 153p per share)
- **Organic capital generation of £145m**[2,3]**,** resulting from reduced new business strain, improved in-force surplus generation and significant positive management actions (H119 – organic capital consumption of £(36)m)
- **Resilient balance sheet**. Positive economic variance due to interest rate hedging, positive credit portfolio management and limited negative property variance

Key Points: IFRS and Operating Performance

- **IFRS profit before tax was £305m** (H119: £125m), driven by investment and economic profits due to the fall in interest rates and stable underlying operating profit
- **Underlying operating profit**[2] **stable at £117m** (H119: £114m) as improved in-force return offset lower new business profit from reduced sales. We anticipate that sales in the second half of the year will be significantly higher than the first half
- **Adjusted operating profit**[2] **was 18% lower at £62m** (H119: £76m), primarily due to higher finance charges
- **Tangible net assets per share**[2] **204p** (FY19: 181p per share)

David Richardson, Group Chief Executive Officer, said:

"We are focused on improving the Group's capital position and over the past 15 months we've been transforming the way we do business in order to deliver a more sustainable and resilient model. In this context I am very pleased with our progress in the first half of 2020 – our capital coverage ratio has increased to 145% during a turbulent and difficult time in financial markets.

The solvency balance sheet has been resilient and we've achieved substantial organic capital generation, driven by a number of significant management actions. We recognise there are short term macroeconomic uncertainties, including the UK property market, but we have multiple levers at our disposal, and we are demonstrating our execution credentials.

In response to the pandemic we provided 99% of our colleagues with new technology and other equipment to enable them to work at home productively. I'm immensely proud of how our teams maintained all critical services to customers, whilst implementing changes to service design and product features to help customers navigate the impact of the lockdown, in particular our vulnerable customers.

We are optimistic about the future. We hold leadership positions in valuable segments of economically attractive markets and will continue to innovate to selectively grow our participation in these markets. The transformation continues, our business is resilient, our thirst for innovation is unabated and we have lots of energy because there is much more we want to achieve.

Notes

1 This figure is an estimate and allows for a notional recalculation of TMTP as at 30 June 2020.

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. Underlying operating profit and new business operating profit are reconciled to IFRS profit before tax in the Financial Review.

3 Organic capital generation/consumption includes surplus from in-force, new business strain, cost overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated transitional measures for technical provisions ("TMTP") amortisation and capital raising or repayment.

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A presentation for analysts who have registered will take place via a live webcast at 9:30am.

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

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Forward-looking statements disclaimer:

This announcement in relation to Just Group plc and its subsidiaries (the “Group”) 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 conditions, 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, on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors which the Company believes are appropriate, and relate to future events and depend on circumstances which may be or are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, although the Group believes its expectations are based on reasonable assumptions, actual future gains and losses could differ materially from those that we have estimated.

Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global political, economic and business conditions (such as the UK’s exit from the EU and the terms of any trade deal which may be negotiated between the UK and the EU; or arising from the Coronavirus (Covid-19) outbreak or other infectious diseases); 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 within this announcement. 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 or change any of the forward-looking statements contained within this announcement or any other forward-looking statements it may make (whether as a result of new information, future events or otherwise), except as may be required by law. 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 Groups future results. Nothing in this announcement should be construed as a profit forecast.

Group Chief Executive Officer's Report

INTRODUCTION

The development of the Covid-19 pandemic during 2020 has brought unprecedented change to the way businesses operate, both in the UK, and globally. In responding to the pandemic, the imperatives that guided our actions were protecting the welfare of our colleagues across the Group and ensuring the delivery of critical services to customers.

SUPPORTING COLLEAGUES AND CUSTOMERS THROUGH THE COVID-19 PANDEMIC

OUR COLLEAGUES

We immediately increased our remote working capacity from around 300 to over 1,000, and have now equipped 99% of our colleagues with new technology and other equipment to enable them to work at home productively.

We are very aware of the challenges colleagues face when working from home and particularly for those with additional caring responsibilities. We quickly introduced a number of flexible working arrangements and provided a range of well-being support to ensure our colleagues are safeguarded.

All of our 1,176 colleagues remain on full pay and the Group has not used the government's job retention scheme.

We are rightly proud of our award-winning service, and of our strong social purpose, which together deliver a 'Just' experience to our customers. Our colleagues are at the heart of this and I am grateful for the immense contribution they make to our business and for the way they have adapted to our new way of working during the pandemic.

OUR CUSTOMERS

We have maintained the delivery of all the Group's services to customers, most of whom are in the more vulnerable groups.

To support our customers through this difficult period, we have made a number of changes to our products and services:

- in our lifetime mortgage business, we introduced procedures to help people navigate the constrained conveyancing and advice process;
- we reduced interest rates on our lifetime mortgages for those customers who have passed away or moved into long term care and are unable to sell their property because the housing market was effectively closed for a number of weeks; and
- we implemented a new temporary capital guarantee feature for our long term care products to return the total premium less any income paid should the customer pass away within 12 months of the policy inception date.

CAPITAL

Our strategy is focussed on improving the Group's capital position and we have been adapting our business model to achieve our strategic goals.

I am pleased with the progress we have made in what has been a particularly difficult environment, but there is more to achieve. Our Solvency II capital coverage ratio has grown to 145%[1] in H120 (post notional TMTP recalculation) from 141% at the end of 2019. This reflects strong organic capital generation and also our determination to reduce the sensitivity of our capital position to economic factors. The solvency balance sheet has been resilient in the face of the economic turbulence caused by Covid-19, and our credit portfolio has performed in line with expectations to date.

I am very encouraged that we have continued to make strong progress on delivery of organic capital generation, with significant management actions delivered over H1. The continuing improvements in our underlying capital generation has resulted in the Group achieving a break even organic capital generation position, before management actions, to date in 2020. We have continued to focus on reducing costs and new business strain alongside delivery of significant capital and de-risking initiatives. We entered into our second no-negative equity guarantee ("NNEG") hedging transaction, signed our first Defined Benefit De-risking ("DB") partnering deal and released capital through more longevity reinsurance, this time on the Guaranteed Income for Life ("GIfL") portfolio. This was all done against a backdrop, for much of the half, of the Covid-19 crisis.

Although we are pleased with the resilience of the UK property market so far this year, we do recognise that there is considerable uncertainty around the future direction of UK property prices to which our solvency position is exposed as shown in the Solvency II property sensitivities included in the Business Review. Further action to reduce our balance sheet sensitivity to UK property prices and the amount of capital we have to hold for LTMs continues to be a key focus. We are exploring a range of actions to build on the NNEG hedges completed to date, which partially protects c.15% of our LTM book against adverse future property performance, and we continue to work on further management actions to reduce risk and boost the capital position.

We continue to engage in discussions with the PRA and although our solvency position continues to strengthen, regulatory scrutiny remains high and some uncertainty and risk remains, further details of which are set out in the principal risk and uncertainties section.

PERFORMANCE REVIEW

After taking decisive action in 2019 to moderate and refocus sales, we continue to prioritise capital self-sufficiency over growth. Retirement Income sales in H120 were £744.9m, a reduction of 10% from the prior period.

Our DB sales were down 10% to £460.3m. The pipeline of potential future transactions remains strong and is higher than it was pre-Covid-19. This is testament to how well both trustees and employee benefit consultants have adapted to working remotely. We anticipate that sales in the second half of the year will be significantly higher than the first half. Since 30 June, we have completed c.£200m of DB transactions.

We were very pleased with how our retail business reacted to the crisis. With advisers being unable to meet customers face to face, our retail business was initially operating at 75% of our original plan, and as third-party advisors and our own sales colleagues adjusted, GIfL sales in May and June were back to expected levels.

Lower sales, and higher finance costs, lead to a reduction in IFRS adjusted operating profit before tax, from £75.5m to £61.6m. However, the IFRS profit before tax for H120 was £304.5m (H119 £125.3m) helped by further falls in interest rates. This is another strong IFRS result but capital remains our focus.

This attention to capital discipline has resulted in a further fall in our new business strain to £24m (H119: £47m) and helped to achieve a very pleasing positive organic capital generation of £145m. We are starting to build an impressive track record in capital generation, something that we are all committed to continuing.

INNOVATION

Although we are managing our costs carefully, we continue to invest selectively in developing new solutions to positively disrupt our markets and deliver better outcomes for our customers. As previously announced, earlier this year we completed our first DB partnering deal, a capital-light partnering model for DB de-risking transactions larger than £250m. In our retail markets we have launched the UK's first green LTM and we are piloting two exciting developments in 2020; one is to help close the financial advice gap for people in middle Britain with more modest pension savings; and the second is a highly innovative solution to deliver guaranteed income to retail investors who manage their portfolios on modern investment platforms.

IN CONCLUSION

These are extraordinary times and we are doing all we can to ensure we live up to our purpose, which is to help people achieve a better later life. I am very grateful to all of my colleagues for their resilience and hard work during this challenging period. We continue to closely monitor Government guidance on the pandemic to ensure that we can adapt to future changes as these arise. Alongside this, we have remained focused on making continued progress in our key goal of strengthening the Group's capital position.

DAVID RICHARDSON

Group Chief Executive Officer

[1] Estimated capital coverage ratio at 30 June 2020, post notional TMTP recalculation. See also Note 14, Capital, for further detail on methodology, sensitivities and regulatory uncertainty.

Business Review

The Business Review presents the results of the Group for the period ended 30 June 2020, including IFRS and Solvency II information

The business has continued to make positive progress over the first half of 2020, despite the considerable impact from Covid-19 on daily life and the economy. Our core products have proved resilient with the DB market continuing to remain active throughout lockdown and the retail market building steadily after an initial slow down, with advisers and customers adapting to new virtual ways of doing business.

The capital position of the Group has strengthened during the first half from 141% coverage ratio at year-end to 145% (estimated, after notional recalculation for TMTP) by half year, helped by the completion of management actions such as the NNEG hedge announced in March and the increased GIfL longevity reinsurance deal completed in June. Movements in the financial markets have had limited impact to date on the Group's capital position. Credit downgrades affecting over 16% of the Group's corporate bond portfolio have led to a c.1% reduction in the coverage ratio, with a similar impact from largely flat UK house prices over the first half of the year. Active hedging of the Group's interest rate exposure has also minimised any impact from the c.67bps reduction in long term interest rates since the start of the year. Organic capital generation, before management actions, has achieved a break even position, building on positive progress in 2019 to further reduce new business strain and costs in H120.

At this time, the outlook for the economy and continued progress of the pandemic both continue to be very uncertain. The longer-term impact from the pandemic on policyholder mortality is currently unknown and the Group remains exposed to the impact of further downgrades and future defaults on its corporate bond portfolio as well as to a fall in UK house prices, which has been predicted by many commentators but not yet observed as the housing market has opened up post lockdown. Our long-term assumptions remain unchanged at 30 June 2020, and a further review and assessment of our long-term assumptions, including any impact from Covid-19, will be completed ahead of the 2020 year-end. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 6 and 9 of these interim results.

CAPITAL MANAGEMENT

Just Group plc estimated Solvency II capital position

The Group's solvency coverage ratio was estimated at 145% at 30 June 2020, after notional recalculation of transitional measures on technical provisions ("TMTP") (31 December 2019: 141%). Steps taken by the Group during the period to reduce new business strain and expenses and identify management actions to de-risk the balance sheet have led to positive organic capital generated of £145m. This has been partially offset by the decision to call the remaining £63m 9.5% PLACL Tier 2 debt in March 2020. The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's key performance indicators ("KPIs").

	30 June 2020 £m	31 December 2019 £m
Own funds	**2,822**	2,562
Solvency Capital Requirement	**(1,950)**	(1,814)
Excess own funds	**872**	748
Solvency coverage ratio[1]	**145%**	141%

[1] This figure allows for a notional recalculation of TMTP as at 30 June 2020. Without this recalculation, the Group's regulatory solvency coverage ratio as at 30 June 2020 was estimated at 123%. See also Note 14, Capital.

MOVEMENT IN EXCESS OWN FUNDS[1]

The table below analyses the movement in excess own funds, in the six months to 30 June 2020.

	At 30 June 2020 £m	At 30 June 2019 £m
Excess own funds at 1 January	748	577
Operating		
In-force surplus net of TMTP amortisation[3]	83	72
New business strain	(24)	(47)
Finance cost	(36)	(25)
Expenses	(20)	(22)
Other	142	(14)
Total organic capital generation/(consumption)[2]	**145**	(36)
Non-operating		
Accelerated TMTP amortisation	(12)	(21)
Regulatory changes	(16)	-
Economic movements	74	(48)
RT1, T2 and equity issuance/(repayment), net of costs[4]	(67)	368
Excess own funds	**872**	840

1 All figures are net of tax, and allow for a notional recalculation of TMTP as at 30 June 2020.

2 Organic capital generation/(consumption) includes surplus from in-force, new business strain, overrun and other expenses, interest & dividends and other operating items. It excludes economic variances and accelerated TMTP amortisation.

3 The in-force line excludes the accelerated amortisation of a portion of TMTP (as noted in the Solvency Financial Condition Report) which has been shown separately.

4 2019 figure is net of £37m repayment in respect of PLACL's Tier 2 bond tender in October 2019.

ORGANIC CAPITAL GENERATION

Positive £145m of organic capital generation is a very significant improvement on the £36m of capital consumption in the first half of 2019 (and the £36m of capital generation for the whole of 2019).

This mainly reflects a number of management actions which have been taken over the period and are included in the 'Other' activities. These include positive capital generation of £93m from the expansion of GIfL reinsurance completed in June 2020, the second no-negative equity guarantee ("NNEG") hedge and the DB partnering deal both entered into in March, and positive mortality experience of £18m. Furthermore, modelling changes ahead of the half year have also contributed £36m.

New business strain is down, which reflects a focus on new business pricing discipline, solvency II efficiency and further reinsurance. In-force surplus has continued to increase as the size of the in-force book grows, more than offsetting the increase in finance cost from the new debt instruments issued last year.

Continued focus on costs has held expenses at H120 broadly in-line with H119, which were helped by some one-offs. Through continued focus on costs, in particular as new business volumes are expected to rise in H2, we remain confident that expense overruns, which remained flat in H1 due to reduced new business volumes, are on track to be eliminated by 2021.

NON-OPERATING ITEMS

Economic movements of £74m resulted from the positive effect from portfolio management and hedging profits arising from lower interest rates more than offsetting the negative property variances and credit migration effects. The negative property variance of £47m reflected a small reduction in house prices over H120 of 0.2%, which was below our long-term assumption. The cost of credit migration during the half was £24m or a 1% reduction in our Solvency coverage ratio. Since the start of the crisis over 16% of our issuers, by market value, have been downgraded, £490m of our portfolio has been downgraded by at least one letter, and of this, £132m has been downgraded to sub-investment grade. The credit migration cost was much more than offset by £69m of positive capital impacts from management of the credit portfolio.

There is a small negative from regulatory changes in H120, primarily arising from the strengthening of the valuation of LTM notes in light of the fall in risk free rates over the period which was partially offset by the increase in future corporation tax rate to 19%, which has increased own funds and decreased the SCR due to its effect on deferred tax.

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

ESTIMATED GROUP SOLVENCY II SENSITIVITIES

	At 30 June 2020 %	At 30 June 2020 £m
Solvency coverage ratio/excess own funds	**145**	**872**
-50 bps fall in interest rates (with TMTP recalculation)	**(3)**	**(3)**
+100 bps credit spreads	**1**	**8**
Credit quality step downgrade[1]	**(13)**	**(234)**
+10% LTM early redemption	**2**	**26**
-10% property values (with TMTP recalculation)[2]	**(15)**	**(274)**
-5% mortality	**(12)**	**(211)**

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

2 After application of NNEG hedges entered into in December 2018 and March 2020.

RECONCILIATION OF IFRS TOTAL EQUITY TO SOLVENCY II OWN FUNDS

	30 June 2020[1] £m	31 December 2019 £m
Total equity on IFRS basis	**2,556**	2,321
Goodwill	**(34)**	(34)
Intangibles	**(111)**	(120)
Solvency II risk margin	**(891)**	(873)
Solvency II TMTP	**2,201**	1,891
Other valuation differences and impact on deferred tax	**(1,512)**	(1,271)
Ineligible items	**(9)**	(35)
Subordinated debt	**624**	684
Group adjustments	**(2)**	(1)
Solvency II own funds	**2,822**	2,562
Solvency II SCR	**(1,950)**	(1,814)
Solvency II excess own funds	**872**	748

1 These figures allow for a notional recalculation of TMTP as at 30 June 2020.

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

Within the Financial Review, the Group has presented a number of alternative performance measures ("APM"), which are used in addition to IFRS statutory performance measures. The Board believes that the use of APMs gives a more representative view of the underlying performance of the Group. The APMs used by the Group are: organic capital generation, new business operating profit, in-force operating profit, underlying operating profit, adjusted operating profit, Retirement Income sales and adjusted earnings per share. Further information on our APMs can be found in the glossary, together with a reference to where the APM has been reconciled to the nearest statutory equivalent.

The Board has also adopted a number of key performance indicators ("KPIs"), which include certain APMs, and which are considered to give an understanding of the Group's underlying performance drivers. KPIs are regularly reviewed against the Group's strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress. The Group's KPIs are discussed in more detail within the capital management section above, and on the following pages.

The Group's KPIs are shown below:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Change %
Organic capital generation/(consumption)[1]	**145.0**	(36.0)	
Retirement Income sales[1]	**744.9**	831.3	(10)
New business operating profit[1]	**66.0**	73.7	(10)
In-force operating profit[1]	**50.6**	40.5	25
Adjusted operating profit before tax[1]	**61.6**	75.5	(18)
IFRS profit before tax	**304.5**	125.3	143

	30 June 2020 £m	31 December 2019 £m	Change %
Solvency II capital coverage ratio[2]	**145%**	141%	3
IFRS net assets	**2,555.7**	2,321.0	10

1 Alternative performance measure, see glossary for definition.
2 Estimated, after allowing for a notional recalculation of TMTP as at 30 June 2020.

ADJUSTED OPERATING PROFIT

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Change %
New business operating profit	**66.0**	73.7	(10)
In-force operating profit	**50.6**	40.5	25
Underlying operating profit	**116.6**	114.2	2
Operating experience and assumption changes	**(2.6)**	(1.9)	37
Other Group companies' operating results	**(7.9)**	(7.2)	10
Development expenditure	**(4.2)**	(3.9)	8
Reinsurance and finance costs	**(40.3)**	(25.7)	57
Adjusted operating profit before tax[1]	**61.6**	75.5	(18)

1 See reconciliation to IFRS profit before tax in the IFRS results section of this Business Review.

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax of £61.6m for the six months ended 30 June 2020 decreased by 18% compared to the corresponding 2019 period. Underlying operating profit of £116.6m, the sum of new business operating profit and in-force operating profit, was in line with the prior period, but finance costs were higher, reflecting a full six month run-rate from the Restricted Tier 1 capital instrument issued in March 2019.

NEW BUSINESS OPERATING PROFIT

New business operating profit has decreased by 10% to £66.0m for the six months ended 30 June 2020. This reflects the lower level of Retirement Income sales written, relative to the previous period. Retirement Income sales for the first six months of 2020 were £744.9m (six months ended 30 June 2020: £831.3m). The new business margin achieved on Retirement Income sales during the period was 8.9%, the same level as corresponding six months in 2019 and achieved for the whole of 2019, reflecting our continued focus on pricing discipline, margin over volume approach and risk selection. Underlying margins have improved over the course of the last 18 months as prior cost reductions earn through, but were offset by lower volumes during the period.

IN-FORCE OPERATING PROFIT

In-force operating profit has increased by 25% to £50.6m for the six months ended 30 June 2020, reflecting growth in profit from the Group's growing in-force book of business, higher surplus assets following the March 2019 capital raise and wider credit spreads. The in-force operating profit also includes the investment return on the Group's surplus assets.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

As noted earlier, the Group has not made any changes to its long-term assumptions at June 2020. The Group has paid close attention to the continuing development of the Covid-19 pandemic, and the possible impact on its long-term assumptions, in particular in respect of property and mortality. The Group will continue to assess the development of the Covid-19 pandemic during the second half of 2020 and will carry out a full basis review as usual at December 2020. Sensitivity analyses are shown in Notes 6 and 9 which set out the impact on the IFRS results from changes to key assumptions, including property and mortality.

Overall a small negative operating experience of £2.6m was reported for the six months ended 30 June 2020 (six months ended 2019: negative variance of £1.9m). This is comprised of a positive mortality experience for GIfL and Care of £18m due to higher than expected deaths during the period, offset by a negative LTM experience in relation to early redemptions arising from both mortality and also moves into long-term care and voluntary redemptions. The reinsurance changes applied during the period, specifically, the increased reinsurance coverage on GIfL business and the reinsurance implementation for our first DB partnering scheme, also contributed to the negative operating experience reported for the period. Although it is difficult to attribute a specific cause for all additional deaths experienced during this half year, we expect that a high proportion are attributable to Covid-19.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £7.9m in 2020 compared to a loss of £7.2m in 2019.

DEVELOPMENT EXPENDITURE

Development expenditure mainly relates to product development and new initiatives. This includes development costs for new less capital-intensive products. Development expenditure for the period also includes a significant upgrade to our hardware systems, the roll out of which was accelerated to enable our colleagues to work remotely to support the business during the Covid-19 pandemic.

REINSURANCE AND FINANCE COSTS

Reinsurance and finance costs include the coupon on the Group's Restricted Tier 1 notes, as well as the interest payable on the Group's Tier 2 and Tier 3 notes. The increase for the period is due to the £125m Tier 2 notes issued in October 2019 and a full six months run-rate from the Restricted Tier 1 notes issued in March 2019. On a statutory IFRS basis the Restricted Tier 1 coupon is accounted for as a distribution of capital, consistent with the classification of the Restricted Tier 1 notes as equity, but the coupon is included as an interest cost on an adjusted operating profit basis.

RETIREMENT INCOME SALES

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**460.3**	512.3	(10)
Guaranteed Income for Life Solutions ("GIfL")	**258.6**	287.9	(10)
Care Plans ("CP")	**26.0**	31.1	(16)
Retirement Income sales	**744.9**	831.3	(10)

The Group's key focus is on improving our capital position and achieving capital self-sufficiency. As part of this commitment, over the last 18 months we have written less new business in order to reduce new business capital strain. Our chosen markets are proving resilient in the face of considerable challenges, as the structural growth drivers that underpin our markets are unchanged. Retirement Income sales for the six months ended 30 June 2020 decreased by 10% to £744.9m.

DB sales were £460.3m for the six months ended 30 June 2020, a decrease of 10%. This reflected timing differences given the lumpy nature of transactions. We are working efficiently under the present social distancing guidelines and the new business pipeline remains strong, with multiple transactions at various stages of completion. The defined benefit de-risking market continues to be buoyant, with transactions continuing at pace despite the Covid-19 disruption. We anticipate that sales in the second half of the year will be significantly higher than the first half.

GIfL sales decreased by 10% to £258.6m for the six months ended 30 June 2020. Covid-19 introduced challenges given the inherent face to face advice process, however, advisers responded quickly by utilising virtual means. In June, GIfL sales returned to their normal run-rate, demonstrating that disruption was only temporary. Volatile investment markets and economic uncertainty have demonstrated to customers the importance and security of a guaranteed income.

Care sales were down 16% to £26.0m for the six months ended 30 June 2020. Sale of Care Plans have been most affected by Covid-19, given the measures rightly put in place to protect vulnerable customers, but only represent 3% of Retirement Income sales.

OTHER NEW BUSINESS SALES

Lifetime Mortgage advances were £223.7m for the six months ended 30 June 2020 (six months ended 30 June 2019: £155.8m), an increase of 44%. In 2019, there was increased competition in the first half of the year as market participants sought to secure new business volumes.

We continue to be more selective in the mortgages we advance, with a focus on shorter duration loans to older borrowers, lower LTV business and on customers with sufficient income to service interest on their borrowings.

During 2019, the Flexible Pension Plan drawdown closed to new business and existing customers were migrated to a third party platform. The Group also closed its US Care unit, which had been loss making.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) has decreased from 6.2 pence for the 6 months ended 30 June 2019, to 4.8 pence for the current period. This mainly reflects the reduction in operating profit compared to the prior period, mainly driven by reduced new business volumes, as discussed above.

	Six months ended 30 June 2020	Six months ended 30 June 2019
Adjusted earnings (£m)	**49.9**	61.2
Weighted average number of shares (million)	**1,029.8**	986.7
Adjusted EPS (pence)	**4.8**	6.2

EARNINGS PER SHARE

	Six months ended 30 June 2020	Six months ended 30 June 2019
Earnings (£m)	**232.5**	99.8
Weighted average number of shares (million)	**1,029.8**	986.7
EPS (pence)	**22.58**	10.11

RECONCILIATION OF OPERATING TO STATUTORY IFRS RESULTS

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

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
Adjusted operating profit before tax	**61.6**	75.5
Non-recurring and project expenditure	**(3.1)**	(6.3)
Implementation of cost saving initiatives	**(2.6)**	(5.0)
Investment and economic profits	**243.5**	68.1
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**14.1**	2.8
Amortisation costs	**(9.0)**	(9.8)
IFRS profit before tax	**304.5**	125.3

NON-RECURRING AND PROJECT EXPENDITURE

Non-recurring and project expenditure, was £3.1m for the six months ended 30 June 2020, and includes preparations for the new insurance accounting standard, IFRS 17, one-off internal model changes and a number of smaller project costs. The costs of ongoing interaction with our regulators and the costs of implementing less significant regulatory changes are included in operating costs. Non-recurring and project expenditure for the six months ended 30 June 2019 mainly related to the costs associated with the new capital raised in the first quarter of 2019, and preparations for IFRS 17.

IMPLEMENTATION OF COST SAVING INITIATIVES

These costs are in respect of the cost savings initiated to optimise the Group's business model and prioritise capital efficiency. During the period the Group has carried out further improvements to its business processes and management structure. This builds on improvements made during 2019 which also included the rationalisation of the Group's property footprint.

INVESTMENT AND ECONOMIC PROFITS

Investment and economic profits for 2020 were £243.5m (six months ended 30 June 2019: £68.1m). The main driver for the increase in investment and economic profits compared to the prior period is the decrease in risk free rates during the first half of 2020, and contributing economic profits of £398m. The impact of falling rates has been further amplified by additional interest rate hedges entered into to protect the Solvency II capital position, and which have increased the sensitivity of the IFRS balance sheet to interest rate movements relative to prior periods. The positive effect from the decrease in risk free rates has been offset by the impact of widening credit spreads and downgrades (£120m) and from negative property growth experience (£38m).

As noted above, the Group has not made any changes to its property assumptions at 30 June 2020. Further details and sensitivities to changes in property assumptions are given in notes 6 and 9 of these interim results. There were no corporate bond defaults within our portfolio during the period (June 2019: no defaults).

AMORTISATION COSTS

Amortisation mainly relates to the acquired in-force business asset relating to Partnership Assurance Group plc, which is being amortised over ten years in line with the expected run-off of the in-force business.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
Gross premiums written	**746.2**	832.8
Reinsurance premiums ceded	**(229.3)**	2.5
Reinsurance recapture	**160.8**	180.7
Net premium revenue	**677.7**	1,016.0
Net investment income	**1,129.1**	1,014.5
Fee and commission income	**5.4**	6.1
Total revenue	**1,812.2**	2,036.6
Net claims paid	**(490.0)**	(416.7)
Change in insurance liabilities	**(813.5)**	(1,268.2)
Change in investment contract liabilities	**(1.2)**	(7.9)
Acquisition costs	**(18.9)**	(14.1)
Other operating expenses	**(101.9)**	(110.5)
Finance costs	**(82.2)**	(93.9)
Total claims and expenses	**(1,507.7)**	(1,911.3)
Profit before tax	**304.5**	125.3
Income tax	**(58.6)**	(23.2)
Profit after tax	**245.9**	102.1

Gross premiums written
Gross premiums written for the period were £746.2m, a decrease of 10% compared to the prior period (2019: £832.8m). As discussed above, the decrease compared to the prior period reflects the Group's planned reduction in new business volumes in order to reduce new business capital strain.

Reinsurance premiums ceded
Reinsurance premiums ceded (expense of £229.3m) has increased in the current period as a result of reinsurance in relation to the Group's DB partnering business. Also included within this line item are reinsurance swap premiums and fees (30 June 2019: £2.5m credit).

Reinsurance recapture
The Group's subsidiary JRL has a number of quota share reinsurance treaties with financing arrangements, which allowed a capital benefit under the old Solvency I regime. These treaties were closed to new business prior to the introduction of Solvency II on 1 January 2016 but the Group retains a capital benefit under Solvency II from the arrangements. The treaties allow the recapture of business once the financing loan from the reinsurer has been repaid. During the period the Group has repaid financing and recaptured business in respect of certain underwriting years, resulting in a decrease of reinsurance assets of £160.8m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities in the statement of financial position. These movements are reflected in the statement of comprehensive income within Net premium revenue and Net claims paid respectively.

Net premium revenue
Net premium revenue decreased from £1,016.0m to £677.7m, driven by the reduction in gross premiums written, plus the impact of the reinsurance recaptures made during the period, and reinsurance premiums ceded.

Net investment income
Net investment income increased from £1,014.5m to £1,129.1m in 2020. The main components of investment income are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. As noted above, there has been a decrease in risk free rates during the first half of 2020 which has resulted in unrealised gains in relation to assets held at fair value.

Net claims paid
Net claims paid increased to £490.0m, from £416.7m in 2019, reflecting the continuing growth of the in-force book.

Change in insurance liabilities
Change in insurance liabilities was £813.5m for the current period, compared to £1,268.2m in 2019. The gross movement of £0.9bn for the period and the impact of the reinsurance recapture of £160.8m have been offset by an increase in reinsurers share of liabilities, mainly due to the DB partnering reinsurance entered into during the period.

Acquisition costs
Acquisition costs have increased from £14.1m in 2019 to £18.9m in 2020, mainly as a result of an increase in LTM new business compared to the prior period.

Other operating expenses
Other operating expenses decreased from £110.5m in 2019 to £101.9m for the current period. This reduction reflects a reduction in non-recurring expenses and the benefit of the cost-saving initiatives carried out in the current period and during the prior year.

Finance costs
The Group's overall finance costs decreased from £93.9m in 2019 to £82.2m in 2020. The main driver relates to a reduction in reinsurance deposits, which have fallen in line with the recaptures made. This decrease has partly offset interest on the new Tier 2 loan notes issued in October 2019. 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 2020 was £58.6m (2019: £23.2m), with an effective tax rate of 19.2% (2019: effective tax rate of 18.5%). The effective tax rate is in line with the standard 19% corporation tax rate.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	30 June 2020 £m	31 December 2019[1] £m
Assets		
Financial investments	**22,836.4**	21,606.0
Reinsurance assets	**3,945.2**	3,860.6
Other assets	**686.6**	555.8
Total assets	**27,468.2**	26,022.4
Share capital and share premium	**198.3**	198.0
Other reserves	**949.9**	949.9
Accumulated profit and other adjustments	**1,115.0**	879.9
Total equity attributable to ordinary shareholders of Just Group plc	**2,263.2**	2,027.8
Tier 1 notes	**294.0**	294.0
Non-controlling interest	**(1.5)**	(0.8)
Total equity	**2,555.7**	2,321.0
Liabilities		
Insurance liabilities	**19,883.8**	19,003.7
Reinsurance liabilities	**137.0**	128.6
Other financial liabilities	**4,030.4**	3,678.9
Insurance and other payables	**99.4**	72.6
Other liabilities	**761.9**	817.6
Total liabilities	**24,912.5**	23,701.4
Total equity and liabilities	**27,468.2**	26,022.4

1 Restated in relation to reinsurance assets and reinsurance liabilities. See sections on reinsurance assets and reinsurance liabilities below, and note 1 to these condensed consolidated financial statements

Financial investments

During the six months, financial investments increased by £1.2bn, from £21.6bn at 31 December 2019 to £22.8bn at 30 June 2020. The increase is mainly due to the effect of decreases in risk-free rates during the period, somewhat offset by credit spread widening, but also as a result of investing the Group's new business premiums. 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 2019: 53%) and continues to be well balanced across a range of industry sectors. The Group has limited exposure to the most at risk sectors such as Energy and Consumer (cyclical), while the BBB rated bonds are weighted towards the sectors least at risk from Covid-19 including Utilities, Communications & Technology, and Infrastructure. During the first half, the Group actively managed its portfolio and sold over £312m of bonds that were most exposed to downgrade. We constantly review the sector allocations, and within those, take the opportunity to trade out of individual names to stay ahead of credit rating agency actions, whilst maintaining diversification. From a sector perspective, the main difference during the six months was an increase in government, and reduced exposure to banks. At 30 June 2020, the Group's holding in liquidity funds was marginally lower than the prior period (31 December 2019: £1,384.0m), as the Group invested its excess year end cash balances into corporate bonds and other fixed income assets. Proactive management of the Group's bond portfolio led to a net positive contribution to Solvency II surplus. The loan-to-value ratio of the mortgage portfolio at 30 June 2020 was 35.3% (31 December 2019: 34.3%), and the percentage of lifetime mortgages increased by 1.9 percentage points to 38.8% of financial investments, driven by falls in risk free rates as LTMs are longer duration than bonds. Given the uncertain macro environment, and volatile market conditions, the Group prudently managed its balance sheet and exposure by increasing various hedges, which led to an increase in Derivatives and Collateral.

The following table provides a breakdown by credit rating of financial investments. Privately rated investments previously classified as Unrated in the analysis below have been re-allocated to the appropriate rating.

	30 June 2020 £m	**30 June 2020 %**	31 December 2019 £m	31 December 2019 %
AAA[1]	**2,344**	**10.3**	2,440	11.3
AA[1] and gilts	**2,096**	**9.2**	1,777	8.2
A	**3,425**	**15.0**	3,710	17.2
BBB	**5,639**	**24.7**	5,291	24.5
BB or below	**259**	**1.1**	195	0.9
Unrated / Other[2]	**208**	**0.9**	213	1.0
Lifetime mortgages	**8,865**	**38.8**	7,980	36.9
Total	**22,836**	**100.0**	21,606	100.0

1 Includes units held in liquidity funds.
2 Includes internally rated assets and own-rated assets. December 2019 disclosures for privately rated assets have been updated and are shown within the appropriate ratings bucket, where such a rating exists. Previously, these privately rated assets were classified as "Unrated / Other".

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 2020 £m	**30 June 2020 %**	31 December 2019 £m	31 December 2019 %
Basic materials	**286.2**	**1.3**	329.8	1.5
Communications and technology	**1,047.0**	**4.6**	1,148.2	5.3
Auto manufacturers	**377.2**	**1.7**	446.6	2.1
Consumer (staples including healthcare)	**874.6**	**3.8**	927.1	4.3
Consumer (cyclical)	**238.0**	**1.0**	194.9	0.9
Energy	**377.4**	**1.7**	422.7	2.0
Banks	**1,434.3**	**6.2**	1,859.7	8.5
Insurance	**731.7**	**3.2**	724.2	3.4
Financial – other	**448.5**	**2.0**	426.6	2.0
Real estate including REITs	**486.4**	**2.1**	450.2	2.1
Government	**1,638.2**	**7.1**	1,128.9	5.2
Industrial	**592.7**	**2.6**	628.6	2.9
Utilities	**1,747.7**	**7.7**	1,708.2	7.9
Commercial mortgages	**601.1**	**2.6**	494.5	2.3
Infrastructure	**959.5**	**4.2**	892.9	4.1
Other	**38.2**	**0.2**	76.5	0.4
Corporate / government bond total	**11,878.7**	**52.0**	11,859.6	54.8
Lifetime mortgages	**8,865.2**	**38.8**	7,980.5	36.9
Liquidity funds	**1,228.1**	**5.4**	1,384.0	6.4
Derivatives and collateral	**864.4**	**3.8**	381.9	1.8
Total	**22,836.4**	**100.0**	21,606.0	100.0

Economic, Social and Governance and investing
Just Group is a signatory to the United Nations Principles for Responsible Investment ("PRI"). We were the first UK insurer to do this. Just Group is also a constituent of the FTSE4Good Index Series. The index is designed to measure the performance of companies demonstrating strong ESG practices. During the six months to 30 June 2020, the Group increased its investments in renewable, which were valued at almost £500m, as well as providing a £40m commitment for social housing, which was drawn down post-balance sheet date. In making investment decisions, sustainable investing principles are formally embedded within our processes, as set out in our Sustainable Investment Framework approved by the Board.

Reinsurance assets
Reinsurance assets increased from £3.8bn at 31 December 2019 to £3.9bn at 30 June 2020. The increase relates to the DB partnering reinsurance entered into during the period together with increases due to economic movements, offset by reinsurance recaptures and the receipt of reinsurers' share of claims paid (see reinsurance recapture section above). Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties. (Note that the 2019 comparative figures have been restated to correct for presentation of reinsurance liabilities included within this line item, see section in Reinsurance liabilities below, and note 1 for further details).

Other assets
Other assets mainly comprise cash and cash equivalents, and intangible assets.

Insurance liabilities
Insurance liabilities increased from £19.0bn at 31 December 2019 to £19.9bn at 30 June 2020. The increase in liabilities arose mainly as a result of new insurance business written less claims paid and the impact of changes to the valuation rate of interest over the period.

Reinsurance liabilities

Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements. These liability balances were previously included within the reinsurance assets balance. (A prior period restatement has been made to present these within the liability side of the balance sheet, further details of this adjustment are given in note 1).

Other financial liabilities
Other financial liabilities increased from £3.7bn at 31 December 2019 to £4.0bn at 30 June 2020. These liabilities are mainly reinsurance related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances.

Other liabilities
Other liability balances decreased from £817.6m at 31 December 2019 to £761.9m at 30 June 2020. The Group's loans and borrowings decreased by c.£60m as a result of the call of the remaining amount of the PLACL bond in March 2020; this decrease has been offset by increases in other liability balances, including in relation to Corporation tax liabilities which have increased as a result of the overall increase in the Group's profits.

IFRS net assets
The Group's total equity at 30 June 2020 was £2,555.7m, compared to £2,321.0m at 31 December 2019. Total equity includes the Restricted Tier 1 notes of £294m (after issue costs) issued by the Group in March 2019. Total equity attributable to ordinary shareholders increased from £2,027.8m to £2,263.2m resulting in net asset value ("NAV") per ordinary share of 218p (2019: 196p).

DIVIDENDS
The Group continues to manage its capital position and outlook following the significant regulatory changes relating to equity release mortgages. Taking this into consideration with the present economic uncertainty, the Board are not recommending the payment of an interim dividend.

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

We use risk management to make better informed business decisions that generate value for shareholders while delivering appropriate outcomes for our customers and providing confidence to other stakeholders. Our risk management processes are designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

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

RISK EVALUATION AND REPORTING

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

Financial risk modelling is used to assess the amount of each risk type against our capital risk appetite. This modelling is principally aligned to our regulatory capital metrics. This modelling allows the Board to understand both the risks included in the Solvency Capital Requirement ("SCR") and how they translate into regulatory capital needs and those not included in the SCR, such as liquidity and strategic risks. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") embeds comprehensive risk reviews into our Group management structure. Our annual ORSA report is a key part of our business cycle and informs strategic decision making. ORSA updates are prepared each quarter to keep the Board appraised of the Group's evolving risk profile.

STRATEGIC OBJECTIVES

1 Improve our capital position
2 Transform how we work
3 Get closer to our customers & partners
4 Generate growth in new markets
5 Be proud to work at Just

Risk	Description and impact	Mitigation and management action
Risk A Risks from regulatory changes and supervisory interpretation **Strategic objective** 1,3,4,5 Change in the period **Increase** Risk outlook **No change**	The Group operates in a highly regulated sector and its operations and practices may be affected by changes in law and regulation, changes in interpretation or emphasis with respect to existing law and regulation and/or industry wide changes in approach to law and regulation and/or potential interventions by the Financial Conduct Authority ("FCA"), Prudential Regulation Authority (the "PRA") and other regulators. The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. This is highlighted in the 2020/21 PRA and FCA Business Plans but also arises as a result of regulatory intervention relating to the Covid-19 pandemic. The PRA published PS19/19, which follows on from PS31/18, both of which updated SS3/17 in respect of the valuation of no-negative equity guarantees ("NNEG") in equity release mortgages ("ERMs"). The PRA's proposals took effect on 31 December 2019, subject to a two year phase-in period. The PRA has published PS14/20 and SS1/20 which confirms their expectations of firms' compliance to the Prudent Person Principle with regard to managing investment risk. The proposals took effect on 27 May 2020 and the Group is currently assessing the implications for Just. The PRA also published PS9/20 which updates SS3/17 with regards to its expectations of firms to undertake a robust risk identification exercise in respect of income producing real estate ("IPRE") lending and for the credibility of insurance firms' internal credit ratings of IPRE loans and other illiquid, unrated assets. The proposals took effect on 2 April 2020. The Group are currently assessing the implementation of the requirements. There has been an increase in regulatory focus on the issue of sustainable finance, particularly the impacts that climate change risks could have on the safety and soundness of firms and stability of the financial system.	We monitor and assess regulatory developments on an on-going basis. We actively seek to participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any required changes effectively, and to deliver better outcomes for our customers and competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations. The Group also keeps under regular review the possible need to reduce new business volumes or close to new business. There has been minimal regulatory change impacting the Group as a result of the Covid-19 pandemic but we continue to monitor developments. A key focus for the Group has been to address the expectations of the updates to SS3/17, whilst maintaining the confidence of our stakeholders. This includes using our capital wisely. Any changes to the regulatory environment as a result of the UK's withdrawal from the EU are being monitored, notably with regard to Solvency II, although significant divergence is not expected. It is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group as it and its customers and policyholders are predominantly UK based. The outcome of the European Commission's review of Solvency II regulations may have an impact on how Solvency II continues to be applied in the UK even in a post-Brexit world. We are monitoring developments. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. We participated in the PRA's 2019 Insurance Stress Test on our investments in publicly listed bonds in relation to climate change and we consider Environmental, Social &

Risk	Description and impact	Mitigation and management action
	The PRA Supervisory Statement SS3/19 set out regulatory expectations about the management of the financial risks linked to climate change. The related PRA Policy Statement PS11/19 requires firms to set out plans for identifying and managing financial risks from climate change. Climate change could affect Just Group's financial risks in two key ways: (i) as investors increasingly consider sustainability in their investment choices this may restrict investment choice and compress yields in the existing investment universe; it may also create new opportunities to invest in assets that are perceived to be more sustainable; and (ii) increased physical risks such as flooding due to severe rainfall or tidal surges, wildfires, extreme windstorms or heatwaves leading to increased subsidence may affect the value of properties not seen as having such an exposure at present. This could affect our ability to recover the full balances of lifetime mortgages in light of the no-negative equity guarantee. The PRA and FCA have issued several consultation papers on new requirements to strengthen operational resilience in the financial services sector. This is a key priority for the regulators and builds on the discussion paper issued in 2018. Just Group are currently aligning its approach to the regulators' expectations ahead of the implementation deadline. There has been significant academic and market debate concerning the methodology and models for valuation of no-negative equity guarantees. The approach used by the Group is in line with common industry practice. Given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the matters described in the paragraphs above, which could negatively impact on the Group's capital position.	Governance (ESG) factors in all our investment analysis and decisions. Just is enhancing its ESG approach in its investment strategy. Just is implementing a plan to ensure that the potential impacts of climate change on the Group's financial risks are identified, and we are developing our stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and equity release portfolios. The plan will also ensure the Group's risk management framework appropriately accommodates and reports on climate change-related risks. Further actions to reduce our balance sheet sensitivity to UK property prices and the amount of capital we have to hold for LTMs continues to be a key focus, with a range of actions being explored to build on the two NNEG hedging transactions completed to date. We intend to continue to actively monitory the academic and market debate concerning the valuation of no-negative equity guarantees. Other regulatory priorities include agreeing the satisfactory regulatory treatment for the NNEG risk transfer transactions already completed and a major model change application for JRL's internal model, expected to be submitted in 2021 following a pre-application process in late-2020.
Risk B **Risks from the economic environment** **Strategic objective** 1,3,4,5	The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. A further deterioration in the economic environment (resulting, for example, from further outbreaks of Covid-19) could impact	Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans. The Group's strategy is to buy and hold high-quality, lower-risk assets in its investment portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is

Risk	Description and impact	Mitigation and management action
Change in the period **Increase** **Risk outlook** **Increase**	on the availability and attractiveness of certain securities and could increase the risk of credit downgrades and defaults in our corporate bond portfolio. The lack of clarity regarding the UK's future trading arrangements with the EU has introduced material uncertainty for the UK's macro-economic outlook in the medium and long term. The Group remains exposed to impacts that the uncertainty around the UK's withdrawal has on the UK economy as a whole, including residential house prices – the UK's withdrawal from the EU could result in property values stagnating or falling. It is possible that the Bank of England will employ negative interest rates as a policy tool to stimulate the economy. It is not clear what effect this would have on customer behaviour or on the market for credit investments or lifetime mortgages. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's defined benefit de-risking business volumes grow, its exposure to inflation risk increases. A fall in residential property values as a result of the Covid-pandemic could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the possible shortfall on the redemption of equity release mortgages also increases if property values drop. Conversely, significant future rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity and availability is also a risk to any need that the Group may have to raise capital.	managed by specialist fund managers, overseen by Just's own credit specialists, executing a diversified investment strategy in investment grade assets within counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors and classes of investment assets. Such diversification creates exposures to foreign exchange risk, which is controlled using derivative instruments. Derivative instruments are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements. While the Group's capital models accommodate negative interest rates, there is no historic data to validate their behaviour in such an environment. The Group's exposure to inflation risk through the defined benefit de-risking business is managed with inflation hedges. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There is some short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels over both short term and long term and stress tests help us understand any potential periods of strain. The Group's liquidity requirements have been met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.
Risk C **Risks from our pricing assumptions**	Writing long-term DB de-risking, GIfL and equity release business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest and inflation rates, property values and expenses. These assumptions are	To manage the risk of our longevity assumptions being incorrect, the Group has the benefit of its extensive underwritten mortality data, as well as external mortality data sets, to provide insights and enhanced understanding of the longevity risks that the Group chooses to take.

Risk	Description and impact	Mitigation and management action
Strategic objective 1,3,4 **Change in the period** **Increase** **Risk outlook** **Increase**	applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches. Experience may differ materially from the Group's assumptions on these risk factors, requiring them to be recalibrated. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.	Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products. In relation to Covid-19, the Group has monitored experience following the outbreak and is systematically reviewing external evidence related to the potential impact on assumptions. In particular the Group is analysing possible direct and indirect impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers. Some longevity risk exposure is transferred to reinsurers. The Group performs due diligence on our reinsurance partners and they undertake due diligence on the Group's approach to risk selection. The Group monitors its exposure to reinsurers on an ongoing basis. Exposure is managed through the posting and receipt of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group. The Group measures its counterparty exposure as the change in excess own funds above Solvency II SCR from a default of each individual counterparty combined simultaneously with both longevity and market stresses. The measures used include the change immediately upon default and after the Group has re-established cover. The Group's exposure to individual counterparties is subject to limits set by the Board. For equity release, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-property value ratio, supported by product design features, limiting specific property types and exposure to each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations.
Risk D **Risks arising from operational processes and IT systems** **Strategic objective** 1,2,3,4,5	The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or	The Group maintains plans and controls to minimise the risk of business disruption due to information security or resilience related events including civil unrest and pandemics. Detailed incident and crisis management plans exist to ensure effective responses, and these are supported by specialist third parties for our workplace recovery centre. Protecting our customers' interests is our top priority. Enabling flexible working arrangements has helped to ensure the Group's customers, staff

Risk	Description and impact	Mitigation and management action
Change in the period **Increase** **Risk outlook** **No change**	similarly disruptive events. Any failure of the Group's IT and communications systems and/or third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business as well as harm its reputation. Large organisations continue to be targets for cyber-crime, particularly those organisations that hold customers' personal details and have implemented remote working arrangements for staff. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.	and business partners do not experience any material detriment. A formal but flexible resilience framework, supplemented by our modern working capabilities, has enabled us to ensure continuity of service. Just's ability to remain operational is dependent upon a resilient technology platform, which enables us to switch our business from a central to a remote operating model. This provides further challenges in ensuring that we continue to operate securely outside of an office based control environment. Risk assessments and actions to address the changes in risk profile have been completed, with on-going iterative assessments ensuring that the Group remains on the front-foot with the challenges that a remote and a hybrid operating model will entail. This analysis is fed into our Group Operational Resilience Programme which considers threats to people, process and technology for each operating model. Our approach to information security is under constant review as the cyber-threat landscape evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. Just believes that every member of staff has a duty of care to protect the data that they handle. We operate a Group wide network of Data Protection Champions to promote awareness. The Group invests in tools to help identify, manage and report on data and cyber threats, including tools to monitor user access to sensitive data sets and the movement of data across the network. Using artificial intelligence and machine learning, these tools provide early warning of suspicious activity on IT systems. In 2020 the Group continues to spend on upper quadrant products to protect a mobile workforce and to complete our multi-layered approach to Information Security. Further investment has been made on core infrastructure to help support the transition to remote and future hybrid working models.
Risk E **Risks from our chosen market environment** **Strategic objective** 1,2,3,4	The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital. Markets have been disrupted by the Covid-19 pandemic; the full market impact will not be fully clear for some time. Investment volatility has emphasised the benefit of a	Our approach to legislative change is to participate actively and engage with policymakers. The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well placed to adapt to changing customer

Risk	Description and impact	Mitigation and management action
Change in the period **Increase** **Risk outlook** **No change**	secure income in retirement for customers and the Group expects that demand for guaranteed income for life solutions will continue. The availability to insurers of defined benefit de-risking transactions is expected to continue to grow. The equity release market has been dominated by a limited number of specialist providers, but new entrants – both providers and funders – have emerged along with new product launches. The market has been significantly disrupted by the Covid-19 pandemic; providers and distributors have adapted processes to continue to serve customers safely. An increase in activity is now being seen and the intensity of competition is expected to increase as providers seek to recover lost sales. House price growth has slowed sharply which may impact further appetite for equity release. The equity release asset class provides good cash flow matching for the Group's longer duration DB de-risking and GIfL liabilities, where suitable longer duration corporate or government bonds or other appropriate assets are less readily available. Customer needs and expectations continue to evolve and change in profile, and there is a risk that we fail to customise and tailor our professional services and distribution models to suit their specific requirements. Poor management of customer or distributor relationships as well as misleading customers or misrepresenting products to customers are also risks which could lead to regulatory censure as well as loss of customers.	demand, supported by our brand promise, innovation credentials and financial strength. The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour. Work continues to improve the customer appeal of the Group's equity release products, explore new product variants and meet distributors' digital and service needs. We continue to review and enhance our services to ensure they remain fully compliant, demonstrate best practices and deliver good customer outcomes. During the Covid-19 pandemic, all services were quick to adapt and continue providing customers with products and services in our chosen markets. Any required operational changes received rigorous review ahead of implementation to ensure robust customer controls remained. In early 2020 we launched a new, pioneering and exciting fully advised online financial planning service 'Destination Retirement', targeted at people close to or in-retirement with modest pension savings. The service provides the opportunity to receive tailor-made regulated financial advice without paying the costs associated with a traditional financial adviser.
Risk F **Risks to the group's reputation** **Strategic objective** 1,2,3,4,5 **Change in the period** **No change** **Risk outlook**	Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we intend to conduct our business and treat our customer and wider stakeholder groups. The Group's reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny. Additionally, the Group's reputation could be threatened by external risks such as regulatory intervention or enforcement	The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide to our customers. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

Risk	Description and impact	Mitigation and management action
No change	action, either directly or as a result of contagion from other companies in the sectors in which we operate.	

The Group's strategic objectives are explained in more detail on pages 16 and 17 of the Just Group plc Annual Report and Accounts 2019

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 IAS 34: Interim financial reporting as adopted by the European Union;
- 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
12 August 2020

Independent review report to Just Group plc

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Just Group plc's condensed consolidated financial statements (the "interim financial statements") in the interim results statement of Just Group plc for the 6 month period ended 30 June 2020. 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 International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, we draw attention to note 14, which explains that the Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and / or which impact the quantum of risk to which the Group is exposed. Note 14 also explains that the Group continues to engage in discussions with the PRA around a major model change application for Just Retirement Limited's internal model and that uncertainty remains as to how the introduction of an Effective Value Test in stress will ultimately be implemented by the Group. Note 14 further explains that given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the aforementioned matters, which could negatively impact on the Group's capital position. Note 14 explains that the Group recognises the need to continue to strengthen its capital position and that a risk remains that the Group could further reduce new business volumes or close to new business in order to achieve this.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated interim 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 statement have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results statement, 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 statement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results statement based on our review. 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
12 August 2020

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2020

	Note	**Six months ended 30 June 2020 £m**	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Gross premiums written	2	**746.2**	832.8	1,921.0
Reinsurance premiums ceded		**(229.3)**	2.5	2.8
Reinsurance recapture		**160.8**	180.7	436.8
Net premium revenue		**677.7**	1,016.0	2,360.6
Net investment income		**1,129.1**	1,014.5	1,451.7
Fee and commission income		**5.4**	6.1	12.7
Total revenue		**1,812.2**	2,036.6	3,825.0
Gross claims paid		**(654.5)**	(613.7)	(1,247.5)
Reinsurers' share of claims paid		**164.5**	197.0	386.4
Net claims paid		**(490.0)**	(416.7)	(861.1)
Change in insurance liabilities:				
Gross amount		**(889.6)**	(1,109.0)	(1,730.6)
Reinsurers' share		**236.9**	21.5	(70.4)
Reinsurance recapture		**(160.8)**	(180.7)	(436.8)
Net change in insurance liabilities		**(813.5)**	(1,268.2)	(2,237.8)
Change in investment contract liabilities		**(1.2)**	(7.9)	92.2
Acquisition costs		**(18.9)**	(14.1)	(35.2)
Other operating expenses		**(101.9)**	(110.5)	(227.8)
Finance costs		**(82.2)**	(93.9)	(186.7)
Total claims and expenses		**(1,507.7)**	(1,911.3)	(3,456.4)
Profit before tax		**304.5**	125.3	368.6
Income tax	3	**(58.6)**	(23.2)	(66.2)
Profit for the period		**245.9**	102.1	302.4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of land and buildings		**–**	–	–
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		**(0.9)**	0.2	(0.2)
Other comprehensive income for the period, net of income tax		**(0.9)**	0.2	(0.2)
Total comprehensive income for the period		**245.0**	102.3	302.2
Profit attributable to:				
Equity holders of Just Group plc		**246.6**	102.6	302.6
Non-controlling interest		**(0.7)**	(0.5)	(0.2)
Profit for the period		**245.9**	102.1	302.4
Total comprehensive income attributable to:				
Equity holders of Just Group plc		**245.7**	102.8	302.4
Non-controlling interest		**(0.7)**	(0.5)	(0.2)
Total comprehensive income for the period		**245.0**	102.3	302.2
Basic earnings per share (pence)	4	**22.58**	10.11	28.37
Diluted earnings per share (pence)	4	**22.39**	10.01	28.00

The notes are an integral part of these financial statements.

Condensed consolidated statement of changes in equity
for the period ended 30 June 2020

1 Includes Currency translation reserve

Six months ended 30 June 2020	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2020	103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0
Profit for the period	–	–	–	–	–	–	246.6	246.6	–	(0.7)	245.9
Other comprehensive income for the period, net of income tax	–	–	–	–	–	–	(0.9)	(0.9)	–	–	(0.9)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	245.7	245.7	–	(0.7)	245.0
Contributions and distributions											
Shares issued	0.3	–	–	–	–	–	–	0.3	–	–	0.3
Dividends	–	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.1)
Interest paid on Tier 1 notes	–	–	–	–	–	–	(14.1)	(14.1)	–	–	(14.1)
Share-based payments	–	–	–	–	–	1.3	2.3	3.6	–	–	3.6
Total contributions and distributions	0.3	–	–	–	–	1.3	(11.9)	(10.3)	–	–	(10.3)
At 30 June 2020	103.8	94.5	348.4	597.1	4.4	(4.7)	1,119.7	2,263.2	294.0	(1.5)	2,555.7

Year ended 31 December 2019	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2019	94.1	94.5	348.4	532.7	4.4	(6.2)	596.5	1,664.4	–	(0.6)	1,663.8
Profit for the year	–	–	–	–	–	–	302.6	302.6	–	(0.2)	302.4
Other comprehensive income/(loss) for the year, net of income tax	–	–	–	–	–	–	(0.2)	(0.2)	–	–	(0.2)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	302.4	302.4	–	(0.2)	302.2
Contributions and distributions											
Shares issued	9.4	–	–	64.4	–	–	–	73.8	–	–	73.8
Tier 1 notes issued (net of costs)	–	–	–	–	–	–	–	–	294.0	–	294.0
Dividends	–	–	–	–	–	–	(0.2)	(0.2)	–	–	(0.2)
Interest paid on Tier 1 notes	–	–	–	–	–	–	(16.8)	(16.8)	–	–	(16.8)
Share-based payments	–	–	–	–	–	0.2	4.0	4.2	–	–	4.2
Total contributions and distributions	9.4	–	–	64.4	–	0.2	(13.0)	61.0	294.0	–	355.0
At 31 December 2019	103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0

Six months ended 30 June 2019	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2019	94.1	94.5	348.4	532.7	4.4	(6.2)	596.5	1,664.4	–	(0.6)	1,663.8
Profit for the period	–	–	–	–	–	–	102.6	102.6	–	(0.5)	102.1
Other comprehensive income for the period, net of income tax	–	–	–	–	–	–	0.2	0.2	–	–	0.2
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	102.8	102.8	–	(0.5)	102.3
Contributions and distributions											
Shares issued	9.4	–	–	64.4	–	–	–	73.8	–	–	73.8
Tier 1 notes issued (net of costs)	–	–	–	–	–	–	–	–	293.8	–	293.8
Dividends	–	–	–	–	–	–	(1.2)	(1.2)	–	–	(1.2)
Interest paid on Tier 1 notes	–	–	–	–	–	–	(2.8)	(2.8)	–	–	(2.8)
Share-based payments	–	–	–	–	–	–	3.5	3.5	–	–	3.5
Total contributions and distributions	9.4	–	–	64.4	–	–	(0.5)	73.3	293.8	–	367.1
At 30 June 2019	103.5	94.5	348.4	597.1	4.4	(6.2)	698.8	1,840.5	293.8	(1.1)	2,133.2

Condensed consolidated statement of financial position
as at 30 June 2020

	Note	30 June 2020 £m	31 December 2019 Restated (note 1) £m	30 June 2019 Restated (note 1) £m
Assets				
Intangible assets		**145.4**	154.4	160.6
Property, plant and equipment		**24.1**	26.8	29.6
Financial investments	6	**22,836.4**	21,606.0	20,720.5
Investment in joint ventures and associates		**–**	–	0.3
Reinsurance assets	9	**3,945.2**	3,860.6	4,195.9
Deferred tax assets		**10.8**	11.5	12.4
Current tax assets		**–**	–	3.7
Prepayments and accrued income		**26.8**	70.6	24.3
Insurance and other receivables		**22.5**	25.5	208.2
Cash and cash equivalents		**457.0**	267.0	227.5
Total assets		**27,468.2**	26,022.4	25,583.0
Equity				
Share capital	7	**103.8**	103.5	103.5
Share premium	7	**94.5**	94.5	94.5
Reorganisation reserve		**348.4**	348.4	348.4
Merger reserve	7	**597.1**	597.1	597.1
Revaluation reserve		**4.4**	4.4	4.4
Shares held by trusts		**(4.7)**	(6.0)	(6.2)
Accumulated profit		**1,119.7**	885.9	698.8
Total equity attributable to owners of Just Group plc		**2,263.2**	2,027.8	1,840.5
Tier 1 notes	8	**294.0**	294.0	293.8
Non-controlling interest		**(1.5)**	(0.8)	(1.1)
Total equity		**2,555.7**	2,321.0	2,133.2
Liabilities				
Insurance liabilities	9	**19,883.8**	19,003.7	18,384.0
Reinsurance liabilities	9	**137.0**	128.6	115.9
Investment contract liabilities		**47.9**	54.0	199.7
Loans and borrowings	10	**599.6**	660.0	573.9
Lease liabilities		**10.2**	12.4	8.7
Other financial liabilities	11	**4,030.4**	3,678.9	4,021.4
Deferred tax liabilities		**25.9**	26.3	29.3
Other provisions		**2.4**	1.8	1.1
Current tax liabilities		**36.6**	10.2	1.7
Accruals and deferred income		**39.3**	52.9	35.6
Insurance and other payables		**99.4**	72.6	78.5
Total liabilities		**24,912.5**	23,701.4	23,449.8
Total equity and liabilities		**27,468.2**	26,022.4	25,583.0

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 12 August 2020 and were signed on its behalf by:

ANDY PARSONS
Director

Condensed consolidated statement of cash flows
for the period ended 30 June 2020

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Cash flows from operating activities			
Profit before tax	**304.5**	125.3	368.6
Depreciation of property and equipment	**1.6**	2.3	4.5
Impairment of property and equipment	**–**	–	4.0
Amortisation of intangible assets	**10.0**	10.4	19.9
Loss on disposal of associated undertaking	**–**	–	0.3
Share-based payments	**3.6**	3.5	4.2
Interest income	**(258.2)**	(332.9)	(663.0)
Interest expense	**82.2**	93.9	186.7
Increase in financial investments	**(926.4)**	(1,091.4)	(1,404.0)
(Increase)/decrease in reinsurance assets	**(76.2)**	159.2	507.2
Decrease in prepayments and accrued income	**43.8**	43.6	(2.7)
Decrease/(increase) in insurance and other receivables	**5.2**	(189.5)	(4.2)
Increase in insurance liabilities	**880.1**	1,110.2	1,729.9
(Decrease)/increase in investment contract liabilities	**(6.1)**	1.9	(143.8)
Increase/(decrease) in deposits received from reinsurers	**31.0**	(164.7)	(489.5)
Decrease in accruals and deferred income	**(14.3)**	(18.5)	(5.7)
Increase/(decrease) in insurance and other payables	**26.8**	0.2	(5.7)
(Decrease)/increase in other creditors	**(51.1)**	25.3	(44.3)
Interest received	**169.7**	186.8	364.3
Interest paid	**(56.3)**	(72.3)	(139.1)
Taxation refunded/(paid)	**(31.9)**	18.0	(14.9)
Net cash inflow/(outflow) from operating activities	**138.0**	(88.7)	272.7
Cash flows from investing activities			
Additions to internally generated intangible assets	**(1.0)**	–	(3.3)
Acquisition of property and equipment	**(1.5)**	(0.6)	(1.4)
Net cash outflow from investing activities	**(2.5)**	(0.6)	(4.7)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	**0.3**	73.8	73.8
Proceeds from issue of Tier 1 notes (net of costs)	**–**	292.5	292.7
(Decrease)/increase in borrowings (net of costs)	**(62.6)**	–	83.9
Dividends paid	**(0.1)**	(1.2)	(0.2)
Coupon paid on Tier 1 notes	**(14.1)**	(2.8)	(16.8)
Interest paid on borrowings	**(22.5)**	(25.1)	(43.7)
Payment of lease liabilities	**(2.4)**	(1.2)	(3.1)
Net cash (outflow)/inflow from financing activities	**(101.4)**	336.0	386.6
Net increase in cash and cash equivalents	**34.1**	246.7	654.6
Cash and cash equivalents at start of period	**1,651.0**	996.4	996.4
Cash and cash equivalents at end of period	**1,685.1**	1,243.1	1,651.0
Cash available on demand	**457.0**	227.5	267.0
Units in liquidity funds	**1,228.1**	1,015.6	1,384.0
Cash and cash equivalents at end of period	**1,685.1**	1,243.1	1,651.0

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 period ended, 30 June 2020.

These Condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34: Interim Financial Reporting, as adopted by the European Union.

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 2019 have been taken from the Group's 2019 Annual Report and Accounts, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which was approved by the Board of Directors on 11 March 2020 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) by way of emphasis of matter, without qualifying their report, drew attention to Note 34, Capital, of the Annual Report and Accounts 2019. The results for the six month period ended 30 June 2019 have been taken from the Group's Interim Results for the six months to 30 June 2019.

The Directors are required to undertake an assessment of the Group's ability to continue to adopt the going concern basis of accounting, and to disclose any material uncertainties identified. Having completed this assessment, which included consideration of the possible impacts on the Group's business from the Covid-19 pandemic, 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 at 30 June 2020. Accordingly, they continue to adopt the going concern basis in preparing the Condensed interim financial statements.

The Directors have considered the following in their assessment:

- Equity, Restricted Tier 1 and Tier 2 capital raised during 2019, a total of £500m new capital (before issue costs), £100m of which was used to re-finance the Partnership Life Assurance Company Limited 9.5% Tier 2 loan notes, via a tender offer in October 2019 and calling the remaining notes in March 2020.
- Steps taken over the last 18 months, including during the current period: increasing the level of reinsurance for GIfL contracts; launching new more capital-efficient products, such as our Defined Benefit De-risking partnering deals; additional NNEG hedging to further protect against property risk; reductions in new business volumes; and cost saving initiatives.
- The projected liquidity position of the Group, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.
- Eligible own funds being in excess of minimum capital requirements in stressed scenarios, including no further capital strengthening and reduced new business volumes.
- The findings of the Group Own Risk and Solvency Assessment ("ORSA").
- Risks arising from the UK's withdrawal from the European Union.
- Scenario testing to consider the possible impacts of the Covid-19 pandemic on the Group's business, including stresses to property prices, house price inflation, credit quality of assets, and risk free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall in excess of 30%, and a sensitivity analysis was performed to assess the impact from falling interest rates, including an assessment of the impact of negative interest rates. The possible impact on liquidity from the pandemic was considered through applying significant stresses to exchange rates and interest rates, and assessing the impact this would have on the Group's cash collateral requirements.
- Scenarios, including those in the ORSA and potential regulatory intervention, where the Group ceases to write new business. However, in such a run-off scenario the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business (for example, collect premiums and administer policies) rather than ceasing to trade.
- The Group Business Plan, which was approved by the Board in the first quarter of 2020, and updated in July 2020, and in particular the forecast regulatory solvency position for the period to 31 December 2021 calculated on a Solvency II basis, which includes scenarios setting out possible adverse trading and economic conditions as a result of the Covid-19 pandemic.

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, including in the event of the run-off scenarios considered above. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

There are no new accounting standards or amendments to existing accounting standards relevant to the Group effective from 1 January 2020.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue, but not yet effective, have not been early adopted by the Group. Unless stated, the new and amended standards and interpretations are being assessed but are not expected to have a significant impact on the Group's financial statements:

- IFRS 17, Insurance Contracts (effective 1 January 2023, not yet endorsed by the EU).

Since May 2017, when the standard was issued with an effective date of 1 January 2021, the IASB has in June 2020 issued an amended standard with an effective date of 1 January 2023. At the same time, the IASB issued an amendment to IFRS 4, Insurance Contracts, to extend the exemption for eligible insurance companies from applying IFRS 9, Financial Instruments, until annual reporting periods beginning on or after 1 January 2023.

IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their valuation, income statement presentation and disclosure. The Group initiated a project in 2017 to develop measurement and reporting systems and processes which will apply to all of the Group's insurance business. The main feature of the standard applicable to annuities is the deferment of recognition of premium revenues with recognition over the life of contracts. The impact of IFRS 17 continues to be assessed but it is anticipated there is likely to be a significant change relating to the measurement and presentation of insurance contracts in the Group's statutory reporting. The amendments issued in June 2020 aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

A reclassification has been made regarding the presentation of the Group's longevity reinsurance swaps at 31 December 2019 and 30 June 2019. The longevity swaps relate to DB, GIfL and Care business in Just Retirement Limited. Under the swap arrangements the Group is committed to pay the reinsurer a schedule of fixed payments for each relevant scheme and the reinsurer undertakes to reimburse the actual cost of the claims to the Group. The Group's policy is to recognise claim recoveries on longevity swap contracts as the net amounts due as a result of comparing the actual payments made to policyholders with the fixed contractual payments where settlement of the contract is on a net basis. Reinsurance premium expenses represent swap management fees and are included under Outward reinsurance premiums. Reinsurance assets and Reinsurance liabilities are recognised on a net basis where the Group has legal right of set off. Amounts receivable from or payable to reinsurers are recognised on a net basis and included under the appropriate heading under Insurance and other receivables or Insurance and other payables. At 31 December 2019 and 30 June 2019 the longevity swaps showed a liability position which was reported as a reduction to reinsurance assets. However, the Group does not have a legal right of set off against other reinsurance assets in respect of these liabilities, since the longevity reinsurance swaps are held with different counterparties to those of the reinsurance assets. Accordingly, in line with the requirements of IAS 32 Financial instruments: Presentation, these balances have been reclassified to reinsurance liabilities on the face of the Statement of Financial Position at 31 December 2019 and at 30 June 2019. The impact of this reclassification at 31 December 2019 is an increase to reinsurance assets of £128.6m and an increase to reinsurance liabilities of the same amount. There is no impact to Total equity or to Comprehensive Income. (30 June 2019: increase to reinsurance assets of £115.9m and increase to reinsurance liabilities of the same amount, no impact to Total equity or to Comprehensive Income).

2. SEGMENTAL REPORTING

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. The underlying operating profit represents a combination of both the profit generated from new business written in the period and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience where different from that assumed at the start of the 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 financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in–force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, corporate bond defaults and, with respect to lifetime mortgages, no negative equity guarantee and early redemptions.

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

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

Segmental analysis

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plan and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and lifetime mortgage advances.

The professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

The Group operates in one material geographical segment which is the United Kingdom.

Segmental reporting and reconciliation to financial information

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**66.0**	**-**	**66.0**	73.7	–	73.7
In-force operating profit	**50.2**	**0.4**	**50.6**	39.3	1.2	40.5
Underlying operating profit	**116.2**	**0.4**	**116.6**	113.0	1.2	114.2
Operating experience and assumption changes	**(2.6)**	**-**	**(2.6)**	(1.9)	–	(1.9)
Other Group companies' operating results	**-**	**(7.9)**	**(7.9)**	–	(7.2)	(7.2)
Development expenditure	**(2.9)**	**(1.3)**	**(4.2)**	(2.5)	(1.4)	(3.9)
Reinsurance and financing costs	**(39.4)**	**(0.9)**	**(40.3)**	(23.4)	(2.3)	(25.7)
Adjusted operating profit before tax	**71.3**	**(9.7)**	**61.6**	85.2	(9.7)	75.5
Non-recurring and project expenditure	**(2.5)**	**(0.6)**	**(3.1)**	(0.9)	(5.4)	(6.3)
Implementation of cost saving initiatives	**(2.5)**	**(0.1)**	**(2.6)**	(5.0)	–	(5.0)
Investment and economic profits/(losses)	**247.7**	**(4.2)**	**243.5**	67.9	0.2	68.1
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**14.1**	**-**	**14.1**	–	2.8	2.8
Profit/(loss) before amortisation costs and tax	**328.1**	**(14.6)**	**313.5**	147.2	(12.1)	135.1
Amortisation costs			**(9.0)**			(9.8)
Profit before tax			**304.5**			125.3

	Year ended 31 December 2019		
	Insurance £m	Other £m	Total £m
New business operating profit	182.0	–	182.0
In-force operating profit	82.6	1.8	84.4
Underlying operating profit	264.6	1.8	266.4
Operating experience and assumption changes	42.2	–	42.2
Other Group companies' operating results	–	(13.1)	(13.1)
Development expenditure	(7.1)	(3.2)	(10.3)
Reinsurance and financing costs	(61.5)	(5.1)	(66.6)
Adjusted operating profit before tax	238.2	(19.6)	218.6
Non-recurring and project expenditure	(3.8)	(4.5)	(8.3)
Implementation of cost saving initiatives	(13.3)	(0.2)	(13.5)
Investment and economic losses	173.7	0.1	173.8
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	14.0	2.8	16.8
Loss before amortisation costs and tax	408.8	(21.4)	387.4
Amortisation costs			(18.8)
Loss before tax			368.6

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £1,133.0m arose from the insurance segment and £(3.9)m arose from other segments (Six months ended 30 June 2019: £1,013.3m and £1.2m respectively / year ended 31 December 2019: £1,450.2m and £1.5m respectively). Segmental fee and commission income is presented in the disaggregation of fees and other income below.

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's products are from one material geographical segment which is the United Kingdom. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Defined Benefit De-risking Solutions ("DB")	**460.3**	512.3	1,231.3
Guaranteed Income for Life contracts ("GIfL")	**258.6**	287.9	615.7
Care Plans ("CP")	**26.0**	31.1	71.1
Protection	**1.3**	1.5	2.9
Gross premiums written	**746.2**	832.8	1,921.0

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

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Drawdown deposits	**–**	26.4	26.7
LTM loans advanced	**223.7**	155.8	415.8

Reconciliation of gross premiums written to Retirement Income sales

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Gross premiums written	**746.2**	832.8	1,921.0
Protection sales not included in Retirement Income sales	**(1.3)**	(1.5)	(2.9)
Retirement Income sales	**744.9**	831.3	1,918.1

Disaggregation of fees and other income

	Six months ended 30 June 2020			Year ended 31 December 2019		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
Product/service						
LTM set-up fees	**–**	**–**	**–**	0.2	–	0.2
LTM commission and advice fees	**–**	**1.1**	**1.1**	–	1.7	1.7
GIfL commission	**–**	**2.0**	**2.0**	–	4.4	4.4
FPP fees	**–**	**–**	**–**	0.7	0.2	0.9
DB fees	**–**	**–**	**–**	0.6	–	0.6
Other	**1.1**	**1.2**	**2.3**	0.5	4.4	4.9
	1.1	**4.3**	**5.4**	2.0	10.7	12.7
Timing of revenue recognition						
Products transferred at point in time	**1.1**	**4.1**	**5.2**	1.3	10.3	11.6
Products and services transferred over time	**–**	**0.2**	**0.2**	0.7	0.4	1.1
Revenue from contracts with customers	**1.1**	**4.3**	**5.4**	2.0	10.7	12.7

All revenue from contracts with customers is from the UK.

3. INCOME TAX

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Current taxation			
Current year	**58.3**	21.7	67.9
Adjustments in respect of prior periods	**–**	(1.8)	(2.9)
Total current tax	**58.3**	19.9	65.0
Deferred taxation			
Origination and reversal of temporary differences	**(1.3)**	3.3	1.8
Adjustments in respect of prior periods	**–**	–	(0.5)
Rate change	**1.6**	–	(0.1)
Total deferred tax	**0.3**	3.3	1.2
Total income tax recognised in profit or loss	**58.6**	23.2	66.2

The current taxation adjustment in respect of prior periods relates to the conclusion of the transfer pricing enquiry with HMRC.

Reconciliation of total income tax to the applicable tax rate:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Profit/(loss) on ordinary activities before tax	**304.5**	125.3	368.6
Income tax at 19% (2019: 19%)	**57.9**	23.8	70.0
Effects of:			
Expenses not deductible for tax purposes	**1.3**	1.7	1.1
Rate change	**1.6**	(0.2)	(0.2)
Higher rate for overseas income	**(0.1)**	0.3	(0.3)
Unrecognised deferred tax asset	**0.6**	–	1.8
Adjustments in respect of prior periods	**–**	(1.8)	(3.4)
Relief on Tier 1 interest included in equity	**(2.7)**	–	(3.2)
Other	**–**	(0.6)	0.4
Total income tax recognised in profit or loss	**58.6**	23.2	66.2

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The effect of this change is that the net deferred tax balances carried forward increased by £1.1m.

4. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to 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 2020			Six months ended 30 June 2019		
	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 attributable to equity holders of Just Group plc	**246.6**			102.6		
Coupon payments in respect of Tier 1 notes (net of tax)	**(14.1)**			(2.8)		
Profit attributable to ordinary equity holders of Just Group plc (Basic)	**232.5**	**1,029.8**	**22.58**	99.8	986.7	10.11
Effect of dilutive potential share options	**–**	**8.5**	**(0.19)**	–	9.9	(0.10)
Diluted	**232.5**	**1,038.3**	**22.39**	99.8	996.6	10.01

	Year ended 31 December 2019		
	Earnings £m	Weighted average number of shares million	Earnings per share pence
Profit attributable to equity holders of Just Group plc	302.6		
Coupon payments in respect of Tier 1 notes (net of tax)	(16.8)		
Profit attributable to ordinary equity holders of Just Group plc (Basic)	285.8	1,007.5	28.37
Effect of dilutive potential share options	–	13.1	(0.37)
Diluted	285.8	1,020.6	28.00

5. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid were as follows:

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Dividends paid on the vesting of employee share schemes	**0.1**	1.2	0.2
Total dividends paid	**0.1**	1.2	0.2
Coupon payments in respect of Tier 1 notes[1]	**14.1**	2.8	16.8
Total distributions to equity holders in the period	**14.2**	4.0	17.0

1 Coupon payments on Tier 1 notes issued in March 2019 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

6. 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.

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

	Fair value			Cost		
	30 June 2020 £m	31 December 2019 £m	30 June 2019 £m	**30 June 2020 £m**	31 December 2019 £m	30 June 2019 £m
Units in liquidity funds	**1,228.1**	1,384.0	1,015.6	**1,228.1**	1,384.0	1,015.6
Investment funds	**141.0**	137.3	105.1	**142.4**	137.2	105.1
Debt securities and other fixed income securities	**10,130.6**	10,387.8	10,271.3	**9,129.3**	9,696.8	9,516.6
Deposits with credit institutions	**259.5**	104.6	142.3	**259.5**	104.6	142.3
Derivative financial assets	**609.4**	237.0	181.3	**–**	–	–
Loans secured by residential mortgages	**8,865.2**	7,980.5	7,623.7	**4,887.5**	4,778.3	4,559.9
Loans secured by commercial mortgages	**601.1**	494.5	414.6	**566.9**	477.8	398.1
Other loans	**1,001.5**	880.3	840.6	**866.9**	795.0	762.3
Recoveries from reinsurers on investment contracts	**–**	–	126.0	**–**	–	115.8
Total	**22,836.4**	21,606.0	20,720.5	**17,080.6**	17,373.7	16,615.7

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

Units in liquidity funds comprise wholly of units in funds which invest in cash and cash equivalents.

Deposits with credit institutions with a carrying value of £255.0m (31 December 2019: £103.1m / 30 June 2019: £141.4m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

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.

In determining the assessment of fair value hierarchy at 30 June 2020 the impact of Covid-19 on market activity and on the availability of actively quoted prices has been taken into consideration, since a lack of availability of quoted prices or other observable market data might necessitate a transfer of assets from Level 1 to Level 2, or from Level 2 to Level 3. Although market disruption was experienced at the end of the first quarter and the beginning of the second quarter of 2020 as a result of the development of the Covid-19 pandemic in the UK and globally, there has subsequently been a return to pre Covid-19 levels of market activity and therefore we have maintained valuation methodologies. There have been no changes to hierarchy levels at 30 June 2020 as a result of considering the impacts from Covid-19, or as a result of other changes during the period.

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

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

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

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

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

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

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes, and therefore classified as Level 2.

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

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, asset-backed securities, investment contract liabilities, and deposits received from reinsurers. There are no non-recurring fair value measurements as at 30 June 2020 (2019: nil).

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

	30 June 2020				31 December 2019			
	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								
Units in liquidity funds	**1,223.2**	**4.9**	**–**	**1,228.1**	1,378.0	6.0	–	1,384.0
Investment funds	**–**	**20.2**	**120.8**	**141.0**	–	25.5	111.8	137.3
Debt securities and other fixed income securities	**1,235.2**	**8,100.3**	**795.1**	**10,130.6**	984.5	8,674.1	729.2	10,387.8
Deposits with credit institutions	**255.0**	**4.5**	**–**	**259.5**	103.1	1.5	–	104.6
Derivative financial assets	**–**	**599.9**	**9.5**	**609.4**	–	233.0	4.0	237.0
Loans secured by residential mortgages	**–**	**–**	**8,865.2**	**8,865.2**	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	**–**	**–**	**601.1**	**601.1**	–	–	494.5	494.5
Other loans	**21.8**	**35.3**	**944.4**	**1,001.5**	4.1	40.3	835.9	880.3
Recoveries from reinsurers on investment contracts	**–**	**–**	**–**	**–**	–	–	–	–
Total	**2,735.2**	**8,765.1**	**11,336.1**	**22,836.4**	2,469.7	8,980.4	10,155.9	21,606.0
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**47.9**	**47.9**	–	–	54.0	54.0
Derivative financial liabilities	**–**	**636.3**	**–**	**636.3**	–	248.4	–	248.4
Obligations for repayment of cash collateral received	**165.2**	**–**	**–**	**165.2**	62.8	–	–	62.8
Deposits received from reinsurers	**–**	**–**	**2,444.3**	**2,444.3**	–	–	2,417.7	2,417.7
Other financial liabilities								
Loans and borrowings at amortised cost	**–**	**629.6**	**–**	**629.6**	–	690.2	–	690.2
Total	**165.2**	**1,265.9**	**2,492.2**	**3,923.3**	62.8	938.6	2,471.7	3,473.1

	30 June 2019 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity funds	1,010.3	5.3	–	1,015.6
Investment funds	–	23.3	81.8	105.1
Debt securities and other fixed income securities	724.4	8,907.7	639.2	10,271.3
Deposits with credit institutions	141.0	1.3	–	142.3
Derivative financial assets	–	171.3	10.0	181.3
Loans secured by residential mortgages	–	–	7,623.7	7,623.7
Loans secured by commercial mortgages	–	–	414.6	414.6
Other loans	–	32.3	808.3	840.6
Recoveries from reinsurers on investment contracts	–	–	126.0	126.0
Total assets held at fair value	1,875.7	9,141.2	9,703.6	20,720.5
Liabilities held at fair value				
Investment contract liabilities	–	–	199.8	199.8
Derivative financial liabilities	–	243.8	–	243.8
Obligations for repayment of cash collateral received	72.9	–	–	72.9
Deposits received from reinsurers	–	–	2,471.4	2,471.4
Other financial liabilities				
Loans and borrowings at amortised cost	–	591.5	–	591.5
Total liabilities held at fair value	72.9	835.3	2,671.2	3,579.4

Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the period there were no transfers from Level 2 to Level 1 (31 December 2019: £570.7m / 30 June 2019: nil). Transfers from Level 2 to Level 3 in 2019 included debt securities for which there were no longer observable prices and derivative financial assets for which current market values after the initial trade were not available.

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 2020	**Investment funds £m**	**Debt securities and other fixed income securities £m**	**Derivative financial assets £m**	**Loans secured by residential mortgages £m**	**Loans secured by commercial mortgages £m**	**Other loans £m**	**Investment contract liabilities £m**	**Deposits received from reinsurers £m**
At start of period	**111.8**	**729.2**	**4.0**	**7,980.5**	**494.5**	**835.9**	**(54.0)**	**(2,417.7)**
Purchases/ Advances/ Deposits	**10.1**	**56.2**	**3.8**	**223.7**	**92.5**	**115.4**	**(1.1)**	**(0.7)**
Transfers from level 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales/ Redemptions/ Payments	**(1.2)**	**(13.0)**	**–**	**(158.0)**	**(3.3)**	**(59.2)**	**8.4**	**107.1**
Realised gains and losses recognised in profit or loss within net investment income	**–**	**(0.2)**	**–**	**43.7**	**–**	**–**	**–**	**–**
Unrealised gains and losses recognised in profit or loss within net investment income	**0.1**	**26.7**	**1.7**	**623.4**	**17.0**	**51.3**	**–**	**(91.0)**
Interest accrued	**–**	**(3.8)**	**–**	**151.9**	**0.4**	**1.0**	**–**	**(42.0)**
Change in fair value of liabilities recognised in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**(1.2)**	**–**
At end of period	**120.8**	**795.1**	**9.5**	**8,865.2**	**601.1**	**944.4**	**(47.9)**	**(2,444.3)**

Year ended 31 December 2019	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of period	69.8	616.0	–	7,191.5	392.3	723.2	102.2	(197.8)	(2,443.5)
Purchases/ Advances/ Deposits	68.2	72.7	-	415.8	97.7	76.7	51.3	(26.7)	(1.5)
Transfers from level 2	–	50.4	3.3	–	–	–	–	–	–
Sales/ Redemptions/ Payments	(26.0)	(4.3)	–	(337.9)	(5.8)	(11.0)	(160.4)	78.3	221.1
Realised gains and losses recognised in profit or loss within net investment income	0.1	0.3	–	102.1	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income[1]	(0.3)	(1.4)	0.7	338.1	9.8	47.0	6.9	–	(107.3)
Interest accrued	–	(4.5)	–	270.9	0.5	–	–	–	(86.5)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	92.2	–
At end of period	111.8	729.2	4.0	7,980.5	494.5	835.9	–	(54.0)	(2,417.7)

1 Includes the impact of property growth experience changes, a change of £33m.

Six months ended 30 June 2019	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m
At start of period	69.8	616.0	–	7,191.5	392.3	723.2	102.2	(197.8)
Purchases/ Advances/ Deposits	13.3	14.6	–	155.8	15.0	49.6	51.0	(26.4)
Transfers from level 2	–	–	3.3	–	–	–	–	–
Sales/ Redemptions/ Payments	(0.6)	(4.3)	–	(150.7)	(2.8)	(6.0)	(34.3)	32.3
Realised gains and losses recognised in profit or loss within net investment income	–	0.3	–	41.6	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income[1]	–	15.9	–	244.6	10.0	41.5	7.1	–
Interest accrued	(0.7)	(3.3)	–	140.9	0.1	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	6.7	–	–	–	–	(7.9)
At end of period	81.8	639.2	10.0	7,623.7	414.6	808.3	126.0	(199.8)

1 Includes the impact of changes in assumptions in respect of the valuation of loans secured by residential mortgages of £112m, which includes £61m in relation to property growth assumptions and £51m in relation to property volatility assumptions.

For Level 1 and Level 2 assets and liabilities measured at fair value, unrealised gains during the period were gains of £30.8m and £135.5m respectively (year ended 31 December 2019: losses of £15.7m and £284.8m respectively).

Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity. There have not been any significant impacts to these investments in relation to Covid-19.

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

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 7.0% (31 December 2019: 7.0%).

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. 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 2020	**(4.2)**
31 December 2019	(3.9)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are infrastructure private placement bonds and asset-backed securities. Such securities are valued using discounted cash flow analyses. The impact of Covid-19 has been taken into account in the assessment of the future cash flows default risk at 30 June 2020. Due to the nature of these assets and the sectors in which they operate, the Group has not assessed that there is any significant impact from Covid-19 on the valuation at 30 June 2020.

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

Redemption and defaults

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

For asset-backed securities, the assumptions are that the underlying loans supporting the securities are redeemed in the future in a similar profile to the existing redemptions on an average rate of 3% per annum, and that default levels on the underlying basis remain at the current level of the Group's bond portfolio.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Debt securities and other fixed income securities net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2020	**(56.5)**
31 December 2019	(52.5)

Derivative financial assets

Derivative financial assets classified as Level 3 are the put options on property index (also referred to as no-negative equity guarantee ("NNEG") hedges). The value of each NNEG hedge is made up of premiums payable to the counterparty less expected claims back from the option where losses are made. The expected claims are calculated through the Black-Scholes framework, with parameters set such that at outset the fair value of the NNEG hedge is zero.

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

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets. The Group has assessed the possible impact of Covid-19 restrictions and economic uncertainty on current property assumptions, and has retained its existing property valuation assumptions at 30 June 2020. Details of the matters considered in relation to property assumptions at 30 June 2020 are noted in the section on Loans secured by residential mortgages further below. The impact on derivative financial assets from changes to property assumptions are noted in the sensitivity analysis below.

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

Derivative financial assets net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
30 June 2020	**(7.4)**	**24.7**	**25.9**	**9.9**
31 December 2019	(1.9)	5.9	6.4	2.2

Loans secured by residential mortgages

Methodology and judgement underlying the calculation of loans secured by residential mortgages
The valuation of loans secured by 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 no-negative equity guarantee ("NNEG"). The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the NNEG, the amount recoverable by the Group on eligible termination of mortgages is generally capped at the net sale proceeds of the property. A key judgement is with regards to the calculation approach used. We have used the Black 76 variant of the Black-Scholes option pricing model in conjunction with an approach using best estimate future house price growth assumptions. There has been significant academic and market debate concerning the valuation of no negative equity guarantees in recent years, including proposals to use risk-free based methods rather than best estimate assumptions to project future house price growth. We continue to actively monitor this debate. In the absence of any widely supported alternative approach, we have continued in line with the common industry practice to value no-negative equity guarantees using best estimate assumptions.

The real world assumptions used include future property growth and future property price volatility.

The Group has assessed the possible impact of Covid-19 restrictions and economic uncertainty on its assumptions underlying the calculation of loans secured by residential mortgages, and has retained its existing assumptions at 30 June 2020. Details of the matters considered on the key property assumptions are discussed in the next section.

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 9.

Maintenance expenses
Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.9% (31 December 2019: 3.9%).

Mortality
Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 data set and model mortality tables for both base table rates and mortality improvements (2019: CMI 2017 mortality tables for both base table rates and 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, but has kept these unchanged at 30 June 2020. Further details of the matters considered in relation to mortality assumptions at 30 June 2020 are set out in Note 9.

Property prices
The Covid-19 pandemic has had a very significant impact on the UK economy during 2020, and has created uncertainty in the UK property market, which was effectively closed to transactions through a period in quarter one and two of the year.

The Group's policy is to calculate the value of a property by taking the latest valuation and indexing this value using the Office for National Statistics ("ONS") monthly index for the property's location. As a result of the recent Covid-19 lockdown, the most recent monthly index was published by the ONS in May 2020 and relates to pre-lockdown transactions. This shows that property prices are marginally lower than they were in December 2019. Other recent data, from sources such as property websites (Rightmove and Zoopla) and residential mortgage lenders (Halifax and Nationwide), show that there has not been a significant deterioration in house prices in the period to June 2020.

Other developments likely to impact on the housing market include stamp duty relief announced by the Government in July 2020, together with potential negative impacts as a result of expected increases in unemployment in the second half of 2020 as the Government's furlough scheme draws to a close and the impact of the pandemic on the UK economy continues. Whilst a UK recession may result in a reduction in house prices in the short term there is no market consensus whether there would be any detriment to the long term prospects of the UK housing market. Taking into account this uncertainty, and the lack of availability of reliable data at 30 June 2020, the Group considers it appropriate to maintain the use of ONS regional indices, and to leave them unadjusted from the pre-lockdown indices published in May 2020. The quality and availability of indices will be monitored over the remainder of 2020 and reviewed ahead of the year end. 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 retail price inflation, "RPI", plus an allowance for the expectation of house price growth above RPI (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 3.8% (31 December 2019: 3.8%), with a volatility assumption of 13% per annum (31 December 2019: 13%). The setting of these assumptions includes consideration of future long and short term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impact of Brexit on the UK property market. There have been no changes in these assumptions since 2019. As noted above, the Group has considered the uncertainties in relation to the property market as a result of the Covid-19 pandemic. The impact of the pandemic on long-term property prices is uncertain at the current time without consensus that the pandemic will alter the long term prospects of the housing market. Therefore the Group considers it appropriate to maintain its future property price assumptions at 30 June 2020 in line with previous periods. The long-term property price growth and volatility assumptions will be reviewed ahead of the year end. 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 and external benchmarking. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans written by JRL (31 December 2019: between 0.5% and 4.1%) and between 0.6% and 2.0% for loans written by PLACL (31 December 2019 between 0.6% and 2.0%).

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. The liquidity premiums are determined at an individual loan level. 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 2.89% (31 December 2019: 2.85%) and for loans held within PLACL is 3.21% (31 December 2019: 3.21%). The movement over the period observed in JRL is driven by new loan originations having a higher liquidity premium than the average spread on the back book of business.

Sensitivity analysis
Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. 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 2020	**(7.1)**	**44.9**	**(131.5)**	**(102.7)**	**(66.9)**	**(21.6)**	**(103.6)**
31 December 2019	(6.6)	28.7	(110.4)	(86.6)	(57.7)	(11.7)	(91.5)

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

The sensitivities above only consider the impact of the change in these assumptions on the fair value of the asset. Some of these sensitivities would also impact the yield on this asset and hence the valuation discount rate used to determine liabilities. For these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 9.

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

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

Principal assumption underlying the calculation of loans secured by commercial mortgages
Redemption and defaults
The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are similar to the Group's bond portfolio. The impact of Covid-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 30 June 2020, with no significant impacts noted to fair values.

Sensitivity analysis
Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. Interest rates are the most significant assumption applied in calculating the fair value of the loans secured by commercial mortgages. The sensitivity of the valuation of commercial mortgages to changes in interest rates 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.

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2020	**(23.7)**
31 December 2019	(22.9)

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

Principal assumptions underlying the calculation of other loans classified as Level 3
Redemption and defaults
The redemption and default assumptions used in the valuation of level 3 loans are similar to the Group's bond portfolio.

Sensitivity analysis
Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of other loans to the default assumption 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:

Other loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2020	**(81.3)**
31 December 2019	(75.7)

Recoveries from reinsurers on investment contracts
Recoveries from reinsurers on investment contracts represent fully reinsured funds invested under the Flexible Pension Plan. During 2019 the Group closed its Flexible Pension Plan product to new business and completed the transfer of the business to an external provider.

Investment contract liabilities
Principal assumptions underlying the calculation of investment contract liabilities
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 4.4% (31 December 2019: 4.4%).

Sensitivity analysis
The sensitivity of fair value to changes in maintenance expense assumptions in respect of investment contract liabilities is not material.

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

Principal assumptions underlying the calculation of deposits received from reinsurers
Discount rate
The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 2.41% and 0.49% respectively (31 December 2019: 2.89% and 0.92% respectively).

Credit spreads
The valuation of deposits received from reinsurers includes a credit spread derived from the assets hypothecated to back these liabilities. A credit spread of 227bps (31 December 2019: 181bps) was applied in respect of the most significant reinsurance contract.

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

Deposits received from reinsurers net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
30 June 2020	**(80.1)**	**(220.8)**
31 December 2019	(81.2)	(200.9)

7. SHARE CAPITAL

The allotted and issued ordinary share capital of Just Group plc at 30 June 2020 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2020	**1,035,081,664**	**103.5**	**94.5**	**597.1**	**795.1**
In respect of employee share schemes	**3,046,892**	**0.3**	**–**	**–**	**0.3**
At 30 June 2020	**1,038,128,556**	**103.8**	**94.5**	**597.1**	**795.4**
At 1 January 2019	941,068,882	94.1	94.5	532.7	721.3
Shares issued	94,012,782	9.4	–	64.4	73.8
At 31 December 2019	1,035,081,664	103.5	94.5	597.1	795.1
At 1 January 2019	941,068,882	94.1	94.5	532.7	721.3
Shares issued	94,012,782	9.4	–	64.4	73.8
At 30 June 2019	1,035,081,664	103.5	94.5	597.1	795.1

On 14 March 2019, the Company completed the placing of 94,012,782 ordinary shares of 10 pence each at a price of 80 pence per share to both existing and new ordinary equity shareholders, raising gross proceeds of £75m. The placing price represents a discount of 6.7% on the market price of 85.3 pence per share at the time of the placing. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the 94,012,782 new ordinary shares issued. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the premium over the nominal value of the shares issued.

Consideration for the acquisition of 100% of the equity shares of Partnership Assurance Group plc in 2016 consisted of a new issue of shares in the Company. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

8. TIER 1 NOTES

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
At start of period	**294.0**	–	–
Issued in the period	**–**	300.0	300.0
Issue costs, net of tax	**–**	(6.2)	(6.0)
At end of period	**294.0**	293.8	294.0

In March 2019, the Group completed the issue of £300m fixed rate perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £6.0m, net of tax.

The notes bear interest on the principal amount up to the 26 April 2024 (the first call date) at the rate of 9.375% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the notes semi-annually in arrears on 26 April and 26 October each year commencing on 26 April 2019. During the period, interest of £14.1m (31 December 2019 £16.8m / 30 June 2019 £2.8m) was paid to noteholders.

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.

9. INSURANCE CONTRACTS AND RELATED REINSURANCE

The following movements have occurred in the insurance contract balances for Retirement Income products during the period.

	Six months ended 30 June 2020			Year ended 31 December 2019		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At start of period	**19,003.7**	**(3,732.0)**	**15,271.7**	17,273.8	(4,239.2)	13,034.6
Increase in liability from premiums	**586.5**	**9.3**	**595.8**	1,586.2	8.4	1,594.6
Release of liability due to recorded claims	**(692.4)**	**161.6**	**(530.8)**	(1,265.1)	354.1	(911.0)
Unwinding of discount	**276.6**	**(52.2)**	**224.4**	599.7	(138.2)	461.5
Changes in economic assumptions	**702.6**	**(159.3)**	**543.3**	886.5	(193.1)	693.4
Changes in non-economic assumptions	**–**	**–**	**–**	(44.3)	14.6	(29.7)
Other movements[1]	**6.8**	**(35.6)**	**(28.8)**	(33.1)	461.4	428.3
At end of period	**19,883.8**	**(3,808.2)**	**16,075.6**	19,003.7	(3,732.0)	15,271.7

	Six months ended 30 June 2019		
	Gross £m	Reinsurance £m	Net £m
At start of period	17,273.8	(4,239.2)	13,034.6
Increase in liability from premiums	687.1	7.3	694.4
Release of liability due to recorded claims	(626.9)	188.3	(438.6)
Unwinding of discount	295.9	(70.0)	225.9
Changes in economic assumptions	746.1	(140.2)	605.9
Changes in non-economic assumptions	(0.2)	(0.1)	(0.3)
Other movements[1]	8.2	173.9	182.1
At end of period	18,384.0	(4,080.0)	14,304.0

1 Includes the impact of reinsurance recapture.

Reinsurance in the table above is the net position of reinsurance assets and reinsurance liabilities. There is no impact on the analysis above of the restatement of reinsurance asset and reinsurance liability comparatives discussed in note 1.

Effect of changes in assumptions and estimates during the period

Economic assumption changes
The principal economic assumption change impacting the movement in insurance liabilities during the period relates to discount rates for the Group's insurance subsidiaries Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL").

Discount rates
Valuation discount rate assumptions are set by considering the yields on the assets available to back the liabilities. The yields on lifetime mortgage assets are derived using the assumptions described in note 6 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on a prudent expectation of default experience of each asset class.

Valuation discount rates – gross liabilities	30 June 2020 %	31 December 2019 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**2.65**	3.01
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**2.41**	2.89
Defined Benefit (JRL)	**2.65**	3.01
Defined Benefit (PLACL)	**2.41**	2.89
Other annuity products (PLACL)	**0.49**	0.92
Term and whole of life products (PLACL)	**0.41**	0.98

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads and cash flows on backing assets. Both existing in-force assets and new assets purchased during the year contribute to the movement in the discount rate. Differences between the discount rates recognised on new business written during the year and the prevailing discount rates on the entire portfolio of business also contribute to the movement in insurance liabilities.

Consideration of Covid-19 impacts in relation to key assumptions at 30 June 2020

The main areas of sensitivity to the Group to Covid-19 related or to other economic downturns are in the areas of mortality, house prices, corporate bond downgrades, and interest rates. These are explained below.

Mortality assumptions
The impact of the Covid-19 pandemic on UK mortality over the first half of 2020 has been significant, and the understanding of excess deaths continues to develop as more data becomes available and is analysed.

The Group experienced an increase of around 15% over the expected levels of mortality in the first half of the year, broadly in line with the wider UK experience (adjusted for the demographic profile of our customers relative to the population as a whole) and primarily reflecting the effects of Covid-19. This has resulted in the c. £18m of positive mortality experience variance reported in the period. Whilst deaths due to Covid-19 continue, overall UK deaths returned close to expected levels in June. If June mortality levels persist, there would be no significant further positive variances as a result of the pandemic. However, were there to be a second wave or increased levels of direct or indirect Covid-19 related deaths further positive variances would be expected. The scale of the variance will depend on the severity of pandemic and the effectiveness of measures taken to protect public health. The variance in the first half of this year is a reference point and sensitivity for a further 6 month 15% increase to expected mortality levels and this sensitivity would be broadly linear if extrapolated for excess deaths continuing at similar levels, and with similar incidence by age, for 1-2 years.

The Group considers that it is too early to judge the longer-term impact on mortality and therefore no changes to mortality assumptions have been made at 30 June 2020. The Group will continue to follow closely the actual and potential future impact of the pandemic on mortality as further information becomes available during the second half of 2020, and will review its mortality assumptions ahead of the 2020 year end, In particular, the Group is analysing possible direct and indirect impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers.

Sensitivities to changes in base mortality at 30 June 2020 are set out below.

Property assumptions
Having considered the availability of property data relating to the first half of 2020, and the level of uncertainty in relation to the development of the UK property market over the remainder of the year, the Group has maintained its property growth and volatility assumptions at 30 June 2020 in line with those at 31 December 2019. Details of matters considered at 30 June 2020 in relation to property assumptions are set out in Note 6, Financial assets and liabilities measured at fair value, within the section on Loans secured by residential mortgages. Sensitivities to changes in property assumptions at 30 June 2020 are set out below.

Credit default assumptions
Economic uncertainty surrounding Covid-19 increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread widening and hence we have maintained the same methodology at 30 June 2020. Sensitivity to a change in the default assumption is set out below.

Sensitivity analysis

The Group has estimated the impact on profit before tax for the year in relation to insurance contracts and related reinsurance from reasonably possible changes in key assumptions relating to financial assets and 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 6. To further assist with this comparison, any impact on reinsurance assets has been included within the liabilities line item.

The sensitivity factors are applied via financial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot necessarily be interpolated or extrapolated from these results. The extent of non-linearity grows as the severity of any sensitivity is increased. For example, in the specific scenario of property price falls, the impact on IFRS profit before tax from a 5% fall in property prices would be slightly less than half of that disclosed in the table below. Furthermore, in the specific scenario of a mortality reduction, a smaller fall than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The impacts indicated below for insurance contracts also reflect movements in financial derivatives, which are impacted by movements in interest rates. Related reinsurance assets are not impacted by financial derivatives. The sensitivities below cover the changes on all assets and liabilities from the given stress. The impact on liabilities includes the net effect of the impact on reinsurance assets and liabilities. The impact of these sensitivities on IFRS net equity is the impact on profit before tax as set out in the table below less tax at the current tax rate.

Impact on profit before tax (£m)

	Interest rates +1%	Interest rates -1%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Credit defaults +10bps
30 June 2020						
Assets	**(2,470.8)**	**2,916.2**	**46.2**	**(106.8)**	**(76.8)**	**-**
Liabilities	**1,817.2**	**(2,149.1)**	**(144.5)**	**(80.1)**	**(75.8)**	**(73.4)**
Total	**(653.6)**	**767.1**	**(98.3)**	**(186.9)**	**(152.6)**	**(73.4)**
31 December 2019						
Assets	(2,139.5)	2,551.3	29.8	(104.5)	(80.2)	-
Liabilities	1,744.3	(2,077.5)	(128.0)	(76.8)	(72.7)	(85.8)
Total	(395.2)	473.8	(98.2)	(181.3)	(152.9)	(85.8)

10. LOANS AND BORROWINGS

	Carrying value			Fair Value		
	30 June 2020 £m	31 December 2019 £m	30 June 2019 £m	**30 June 2020 £m**	31 December 2019 £m	30 June 2019 £m
£100m 9.5% 10 year subordinated debt 2025 non-callable 5 years (Tier 2) issued by Partnership Life Assurance Company Limited	**–**	60.7	96.2	**–**	67.2	101.3
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**249.0**	248.9	248.9	**260.1**	255.8	251.7
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**121.6**	121.4	–	**126.9**	127.5	–
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**229.0**	229.0	228.8	**242.6**	239.7	238.5
Total loans and borrowings	**599.6**	660.0	573.9	**629.6**	690.2	591.5

On 2 October 2019, the Group completed the issue of £125m Tier 2 capital via an 8.125% sterling denominated BBB rated 10 year bonds issue, interest payable semi-annually in arrear. The proceeds of the issue have been used to refinance the £100m 9.5% Partnership Life Assurance Company Limited subordinated notes due 2025 ("PLACL notes"), a proportion of which were tendered for and subsequently cancelled in October 2019, the remainder being called at the first call option date in March 2020. Other movements in the period are the amortisation of issue costs.

The Group also has an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes available until 15 May 2022. Interest is payable on any drawdown loans at a rate of Libor plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

In March 2020, the Group repaid the remaining 9.5% PLACL Tier 2 debt.

11. OTHER FINANCIAL LIABILITIES

The Group has other financial liabilities which are measured at either amortised cost, fair value through profit or loss, or in accordance insurance rules under IFRS 4, summarised as follows.

	Note	**30 June 2020 £m**	31 December 2019 £m	30 June 2019 £m
Fair value through profit or loss				
Derivative financial liabilities	(a)	**636.3**	248.4	243.8
Obligations for repayment of cash collateral received	(a)	**165.2**	62.8	72.9
Deposits received from reinsurers	(b)	**2,444.3**	2,417.7	2,471.4
Liabilities measured using insurance rules under IFRS 4				
Deposits received from reinsurers	(b)	**777.0**	772.6	1,043.7
Reinsurance finance	(c)	**7.6**	14.5	22.3
Reinsurance funds withheld	(d)	**-**	162.9	167.3
Total other liabilities		**4,030.4**	3,678.9	4,021.4

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

The derivative financial liabilities are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

(b) Deposits received from reinsurers

Deposits received from reinsurers are either unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: measurement and recognition; or they are recognised in accordance with IFRS 4, Insurance contracts. All deposits received from reinsurers are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

(c) Reinsurance finance

The reinsurance finance has been established in recognition of the loan obligation to the reinsurers under the Group's reinsurance financing arrangements, the repayment of which are contingent upon the emergence of surplus under either the old Solvency I or IFRS valuation rules.

(d) Reinsurance funds withheld

Reinsurance funds withheld are measured and valued in accordance with the reinsurance contract, which takes into account an appropriate discount rate for the timing of expected cash flows.

12. 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 2020			31 December 2019		
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	**8.7**	**303.3**	**3,233.7**	54.8	96.3	2,035.1
Interest rate swaps	**561.4**	**73.1**	**5,509.0**	157.3	30.7	3,644.8
Inflation swaps	**19.3**	**245.8**	**2,828.7**	10.7	120.6	2,165.8
Forward swap	**3.8**	**2.3**	**223.1**	10.1	0.8	612.4
Put option on property index (NNEG hedge)	**9.5**	**–**	**280.0**	4.0	–	80.0
Total return swaps	**6.7**	**11.8**	**–**	0.1	–	66.9
Total	**609.4**	**636.3**	**12,074.5**	237.0	248.4	8,605.0

	30 June 2019		
Derivatives	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	0.7	176.2	1,648.9
Interest rate swaps	144.1	25.8	3,607.9
Inflation swaps	26.1	35.0	1,797.3
Forward swap	0.4	6.8	2,049.8
Put option on property index (NNEG hedge)	10.0	–	80.0
Total	181.3	243.8	9,183.9

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 2020, the Company had pledged collateral of £255.0m (31 December 2019: £103.1m / 30 June 2019: £141.1m) of which £nil were gilts and European Investment Bank bonds (31 December 2019: £nil / 30 June 2019: £nil) and had received cash collateral of £165.2m (31 December 2019: £62.8m / 30 June 2019: £72.9m). In addition to the cash collateral received recognised within other financial liabilities, certain collateral arrangements within the Group's subsidiary, PLACL, give rise to collateral of £56.7m (31 December 2019: £17.9m / 30 June 2019: £13.3m) which is not included in the Consolidated statement of financial position of the Group because it is deposited into a ring-fenced collateral account that the Group has no control over and does not accrue any of the economic benefit.

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

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Movement in fair value of derivative instruments	**(15.2)**	26.4	85.2
Realised profits/(losses) on interest rate swaps closed	**(0.4)**	19.0	44.7
Total amounts recognised in profit or loss	**(15.6)**	45.4	129.9

13. FINANCIAL AND INSURANCE RISK MANAGEMENT

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

(a) Insurance risk

The writing of long-term insurance contracts 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, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

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

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

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

Underpinning the management of insurance risk are:

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

Concentrations of insurance risk

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

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates.

Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk or material currency risk.

Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

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

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

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group's strategy is to actively hedge the interest rate risk to which its Solvency II balance sheet is exposed; some exposure remains on an IFRS basis.

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

(ii) Property risk

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

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third party valuations are undertaken on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed.

A sensitivity analysis of the impact of property price movements is included in note 6 and note 9. These notes also discuss the Group's consideration of the impact of Covid-19 on property assumptions at 30 June 2020.

(iii) Inflation risk

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

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

(iv) Currency risk

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

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

(c) Credit risk

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

Credit risk exposures arise from:

- Holding fixed income investments where the main risks are default and market risk. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a "hold to maturity" strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment-grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 12).
- Reinsurance – reinsurance is used to manage longevity risk 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.
- 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 – credit risk for loans secured by mortgages has been considered within "property risk" above.

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 30 June 2020 and 31 December 2019:

30 June 2020	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	**1,223.2**	**4.9**	–	–	–	–	**1,228.1**
Investment funds	–	–	–	–	–	–	**141.0**	**141.0**
Debt securities and other fixed income securities	**621.1**	**962.8**	**1,123.6**	**2,344.4**	**4,389.0**	**174.8**	**514.9**	**10,130.6**
Deposits with credit institutions	–	–	**4.5**	**215.8**	**39.2**	–	–	**259.5**
Derivative financial assets	–	–	–	**411.4**	**194.2**	–	**3.8**	**609.4**
Loans secured by residential mortgages	–	–	–	–	–	–	**8,865.2**	**8,865.2**
Loans secured by commercial mortgages	–	–	–	–	–	–	**601.1**	**601.1**
Other loans	–	–	**35.3**	**74.3**	**432.9**	–	**459.0**	**1,001.5**
Reinsurance	–	–	**273.0**	**307.9**	**5.5**	–	**0.5**	**586.9**
Insurance and other receivables	–	–	–	–	–	–	**22.5**	**22.5**
Total	**621.1**	**2,186.0**	**1,441.3**	**3,353.8**	**5,060.8**	**174.8**	**10,608.0**	**23,445.8**

31 December 2019	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,378.0	6.0	–	–	–	–	1,384.0
Investment funds	–	–	–	–	–	–	137.3	137.3
Debt securities and other fixed income securities	198.1	941.3	1,254.0	3,058.4	4,293.5	156.3	486.2	10,387.8
Deposits with credit institutions	–	–	1.5	63.9	39.2	–	–	104.6
Derivative financial assets	–	–	0.4	152.0	38.7	–	45.9	237.0
Loans secured by residential mortgages	–	–	–	–	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	–	–	–	–	–	–	494.5	494.5
Other loans	–	–	40.4	70.7	419.7	–	349.5	880.3
Reinsurance	–	–	69.5	303.3	5.5	–	0.5	378.8
Insurance and other receivables	–	–	–	–	–	–	25.5	25.5
Total	198.1	2,319.3	1,371.8	3,648.3	4,796.6	156.3	9,519.9	22,010.3

The credit rating for Cash and cash equivalents assets at 30 June 2020 was between a range of AA and BB (31 December 2019: between a range of AA and BB).

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

(d) Liquidity risk

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

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

Exposure to liquidity risk arises from:

- deterioration in the external environment caused by economic shocks, regulatory changes, reputational damage, or an economic shock resulting from the Covid-19 pandemic or from Brexit;
- realising assets to meet liabilities during stressed market conditions;
- increasing cash flow volatility in the short term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- needing to support liquidity requirements for day-to-day operations;
- ensuring financial support can be provided across the Group; and
- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

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

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

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 have been updated to take into account the possible impacts from Covid-19 on the Group's liquidity position and include assessing the impact of a 1 in 200 year event on the Group's liquidity. Updates to cash flow forecasting include amending projected inflows based on revised GIfL and DB volumes, reducing LTM volumes and redemptions, and increasing the minimum cash and cash equivalent levels to cover enhanced stresses. Derivative stresses have been revised to take into account the market volatility caused by Covid-19, and focus on the worst observed movements in shorter periods up to and including one month.

Market volatility in the second half of March 2020, in reaction to the developing Covid-19 pandemic situation in the UK, led to a significant temporary increase in the Group's collateral requirements, which have subsequently reversed. The Group experienced collateral calls for an additional c. £500m, which it was able to meet from existing available liquidity balances and facilities.

14. CAPITAL

The net assets of the Group at 30 June 2020 on an IFRS basis were £2,555.7m (31 December 2019: £2,321.0m).

The Group manages capital on a regulatory basis. Since 1 January 2016, the Group has been 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 Group and its regulated subsidiaries 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 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.

In December 2015, Just Retirement Group plc and JRL received approval to calculate their Solvency II capital requirements using a full internal model. The capital requirement for the ex-Partnership business is assessed using the standard formula. Following the merger of Just Retirement and Partnership, the capital requirement for Just Group plc is calculated using a partial internal model.

The surplus of Own Funds over the SCR is called "Excess Own Funds" and this effectively acts as working capital for the Group. 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.

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. These include scenarios and shocks due to possible impacts from the Covid-19 pandemic. 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.

The Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/or which impact the quantum of risk to which the Group is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could impact the Group's capital position, which in turn could have a negative effect on the Group's results of operations.

The regulatory environment for LTMs has evolved since the adoption of Solvency II, primarily through the publication of SS3/17 "Solvency II: Equity Release Mortgages" in July 2017 (and subsequent revisions in December 2018 and December 2019). SS3/17 introduced a key new key element, the effective value test ("EVT"). This acts as a regulatory diagnostic validation test which the PRA expects firms to conduct as a means of monitoring compliance with Solvency II requirements relating to the calculation of the Fundamental Spread ("FS") and thus the Matching Adjustment ("MA") in the case where MA liabilities are matched with restructured LTMs.

In December 2019, Just restructured and updated its internal LTM securitisation to better meet these revised regulatory expectations. This included updating the methodology used to determine the internal rating, amount and spread on the LTM notes used to enable LTM assets to be eligible for MA. The restructure removed much of the uncertainty on the level of MA relating to LTMs in the regulatory balance sheet. At 31 December 2019, Just passed the PRA EVT with a buffer (0.67%) (unreviewed) over the minimum deferment rate of zero required at the time. Since then, long term interest rates have fallen significantly (c.67bps for the 15 year swap rate) which has eroded this buffer. We have therefore taken steps to re-establish headroom. The result is that at 30 June, Just passes the PRA EVT with headroom of 0.34% (unreviewed) over the current minimum deferment rate of zero and using a volatility of 13% in line with the requirement. The Group continues to plan for the expected additional cost in 2021 of ensuring ongoing compliance with the EVT as the minimum deferment rate increases. The current low interest rate environment presents challenges to estimating the precise cost of compliance, but this would be expected to be of the order of 6% (unreviewed) on the Group's solvency ratio.

The Group continues to engage in discussions with the PRA. For JRL, we have recently submitted an updated MA application which captures changes since our original application in 2015 and provides greater flexibility to invest a wider range of asset classes going forward.

Other regulatory priorities include agreeing the satisfactory regulatory treatment for the NNEG risk transfer transactions already completed and a major model change application for JRL's internal model, expected to be submitted in 2021 following a pre-application process in late-2020. This major model change will include allowance for EVT in stress, as required by PS19/19. At 30 June 2020, our calculations show that aforementioned cost of EVT compliance would be sufficient to pass the EVT in stress validation test. However, uncertainty remains as to how EVT in stress will be implemented by the industry and Just, and given the sensitivity of EVT at low interest rates, the cost will ultimately depend on economic conditions at the time.

Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness.

As a result of the matters described above, a risk remains that the Group could, in order to better manage its capital position, further reduce new business volumes or close to new business. These are decisions that the Board keeps under regular review as it continuously monitors the impact of new business on the firm's actual and future expected capital position.

Given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the matters described in the paragraphs above, which could negatively impact on the Group's capital position.

The Group has completed a number of actions in relation to capital during the period:

- Continued reduction in new business strain through a planned reduction in new business volumes, re-pricing and cost reductions
- Further reduction to new business strain through DB partner business which is much less capital intensive.
- Completion of additional reinsurance of existing GIfL business to release risk margin and SCR in respect of that business, and to increase resilience to future variations in longevity experience.
- Completion of a second NNEG hedge in March 2020 to further reduce exposure to property risk.
- Increased interest rate hedging early in 2020, helping to protect the Group from the adverse impact of falling interest rates, particularly the impact on the value of MA derived from LTMs given the EVT's sensitivity to nominal interest rates.

The Group also recognises the need to continue to strengthen its capital position and has a range of potential actions available. These include:

- Ongoing cost savings are planned with a target to eliminate expense overruns by the end of 2021.
- Additional NNEG hedging to further protect the Group from its exposure to property risk.
- Additional reinsurance or longevity swaps on the Group's existing book of GIfL business.
- New business strain could be further reduced by reducing the volume of new business written or by changing the mix of new business.
- The Board continues to review the optimal capital mix, subject to market liquidity and availability. For example, the Group currently has a material amount of unutilised Tier 2 debt capacity.

The Board recognises that the successful implementation of some of these potential or planned actions are not wholly within the control of the Group.

Further information on the matters considered by the Directors at 30 June 2020 in relation to capital and going concern is included in note 1, Basis of preparation.

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 requirements;
- to safeguard the Group's ability to continue as a going concern;

- to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- Just Retirement Limited and Partnership Life Assurance Company Limited – authorised by the PRA, and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Group capital position (not reviewed by PwC)
The Group's estimated capital surplus position at 30 June 2020, which is not covered by the PwC independent review opinion on pages 27 and 28, was as follows:

	30 June 2020[1] **£m**	31 December 2019[2] £m
Capital resources		
Own funds	**2,413**	2,562
Solvency Capital Requirement	**(1,966)**	(1,814)
Excess own funds	**447**	748
Solvency coverage ratio	**123%**	141%

1 Estimated regulatory position. These figures do not allow for any notional recalculation of TMTP as at 30 June 2020. The estimated solvency coverage ratio including a notional recalculation of TMTP as at 30 June 2020 is 145%.
2 As reported in the Group's Solvency and Financial Condition Report as at 31 December 2019.

The Group's Minimum Solvency Capital Requirement coverage ratio at 30 June 2020 is estimated as 376% (31 December 2019: 434%).

15. 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 2019.

There were no transactions with related parties during the six months ended 30 June 2020 which have had a material effect on the results or financial position of the Group.

16. POST BALANCE SHEET EVENTS

There are no material post balance sheet events that have taken place between 30 June 2020 and the date of this report.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is not covered by the PwC 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:

	Total		AAA	AA	A	BBB	BB or below	Unrated
	£m	%	£m	£m	£m	£m	£m	£m
Basic materials	286	1.3	-	-	112	87	3	84
Communications and technology	1,047	4.6	23	46	134	807	37	-
Auto manufacturers	377	1.7	-	43	88	218	28	-
Consumer (staples including healthcare)	875	3.8	46	198	173	399	50	9
Consumer (cyclical)	238	1.0	-	12	105	108	6	7
Energy	377	1.7	-	103	70	140	64	-
Banks	1,434	6.2	172	191	506	561	4	-
Insurance	732	3.2	-	87	185	460	-	-
Financial – other	449	2.0	101	156	68	94	19	11
Real estate including REITs	486	2.1	46	11	86	296	41	6
Government	1,638	7.1	575	913	68	82	-	-
Industrial	593	2.6	-	30	79	394	3	87
Utilities	1,748	7.7	-	21	751	973	3	-
Commercial mortgages	601	2.6	69	143	206	183	-	-
Infrastructure loans	960	4.2	89	137	129	604	1	-
Other	38	0.2	-	-	38	-	-	-
Corporate / government bond total	11,879	52.0	1,121	2,091	2,798	5,406	259	204
Lifetime mortgages	8,865	38.8						
Liquidity funds	1,228	5.4						
Derivatives and collateral	864	3.8						
Total	**22,836**	**100.0**						

GLOSSARY

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

Adjusted earnings per share – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19% for 2018), and dividing this result by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost-saving initiatives, investment and economic profits and amortisation and impairment costs. In addition it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the tier 1 notes are treated as equity rather than debt in the IFRs financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

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

Amortisation and impairment of intangible assets – amortisation costs relate to the amortisation of the Group's intangible assets, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Retirement Group plc.

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

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

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

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

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

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

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

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

Drawdown – (in reference to Just Group sales or products) collective term for Flexible Pension Plan and capped drawdown.

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

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

Finance costs – finance costs represent interest payable on reinsurance deposits and financing, the interest on the Group's Tier 2 Debt, and, in the prior year, bank finance costs.

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

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

Guaranteed Guidance – see Pensions Wise.

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

IFRS net assets – one of the Group's KPIs, representing the assets attributable to equity holders.

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

In-force operating profit – an APM and one of the Group's KPIs, capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force operating profit is reconciled to IFRS profit before tax in the Business Review.

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

Key Performance Indicators ("KPIs") – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Retirement Income sales, New business operating profit, In-force operating profit, Adjusted operating profit, IFRS profit before tax, IFRS net assets, Solvency II capital coverage ratio and Economic capital coverage ratio.

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 claims paid – 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 – net investment income comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives.

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

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

New business operating profit – an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of prudent reserves and for acquisition expenses. New business operating profit is reconciled to IFRS profit before tax in the Business Review.

New business sales – an APM and an indicator of the Group's growth and realisation of its strategic objectives. New business sales include DB, GIfL, Care, FPP and protection premiums written combined with LTM advances in the year. New business sales are reconciled to IFRS Gross premiums in note 2 to the consolidated financial statements.

New business strain – represents the capital strain on new business written in the year after allowing for acquisition expense allowances and the establishment of solvency II technical provisions and solvency capital requirements.

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

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

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

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

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

Organic capital generation – an APM and one of the Group's KPIs. Organic capital generation is the net increase in solvency II excess own funds over the year, excluding the impacts of equity and debt capital raised, economic variances and regulatory changes. The Board believes that this measure provides a good view of the progress made towards achieving a sustainable capital model. Organic capital generation is reconciled to solvency II excess own funds in the Business Review.

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

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

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

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

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

Retirement Income sales (in reference to Just Group sales or products) – an APM and one of the Group's KPIs and collective term for GIfL, DB and Care Plan. Retirement Income sales are reconciled to IFRS Gross premiums in note 2 to the consolidated financial statements.

Retirement sales (in reference to Just Group sales or products) – collective term for Retirement Income sales and Drawdown.

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.

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 the sum of the new business operating profit and in-force operating profit. As this measure excludes the impact of one-off assumption changes and investment variances, the Board considers it to be a key indicator of the progress of the business and a useful measure for investors and analysts when assessing the Group's financial performance. Underlying operating profit is reconciled to IFRS profit before tax in the Business Review.