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NEWS RELEASE

16 March 2021

JUST GROUP PLC
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FOUNDATIONS FOR GROWTH IN PLACE

Just Group plc (the "Group", "Just") announces its results for the year ended 31 December 2020.

Key points: capital and balance sheet

- **Improved capital coverage ratio of 156%**[1] (31 December 2019: 141%)**.** Organic capital generation driven by management actions has added 12 percentage points to the ratio and capital raising a further 6 percentage points. Shareholders Solvency II own funds[2] per share has risen to 187p (FY19: 153p per share)
- **Continuing balance sheet de-risking**. Ongoing progress to reduce exposure to UK residential property in December 2020 through the sale of a £540m portfolio of Lifetime Mortgages ("LTM") and completion of a third no-negative equity guarantee hedge
- **Underlying organic capital generation of £18m**[2,4] driven by reduced new business strain of 2.2% and improved in-force surplus generation (FY19 – underlying organic capital consumption of £(15)m)
- **Organic capital generation of £221m**[2,3] (FY19: £36m), as a result of significant positive management actions and much improved underlying organic capital generation
- **Reached capital self-sufficiency goal a year earlier than planned.** Establishing the foundation to pursue growth opportunities available in our markets

Key points: IFRS and operating performance

- **Adjusted operating profit**[2] **was 9% higher at £239m** (FY19: £219m), as higher new business profit and improved in-force return has offset higher finance charges
- **IFRS profit before tax was £237m** (FY19: £369m), as higher operating profit was more than offset by lower investment and economic profits, due to the property growth assumption change and the sale of an LTM portfolio
- **Retirement Income sales for 2020 up 12% to £2.1bn.** Defined Benefit De-risking ("DB") sales were up 22% during the year to £1.5bn. Well positioned for attractive growth in 2021
- **Tangible net assets per share**[2] **199p** (FY19: 181p per share)

David Richardson, Group Chief Executive Officer, said:

"I want to recognise and thank all our colleagues across the Group for the outstanding contribution they have made in the last year. They have shown immense agility and determination to accommodate a very challenging personal and professional period to ensure the service we provide to our customers has not missed a beat.

I am proud of the scale of change we have achieved over the past two years since we commenced the transformation of our business. We now have a strong and resilient capital base and the business is organically capital generative on an underlying basis. The combination of these two factors means that we have achieved our goal of capital self-sufficiency over a year earlier than originally planned. This gives us the platform to take advantage of the attractive growth opportunities in our markets.

Whilst short-term uncertainties exist, the long-term opportunities and structural growth drivers remain clear. With a higher capital base and more resilient balance sheet, we are better able to navigate the uncertain macro environment, while continuing to write new business at attractive margins.

We have achieved a major landmark in the Group's history by achieving capital self-sufficiency. We now have strong foundations in place to continue to grow profits and deliver attractive returns for shareholders. We have the capabilities to innovate and ensure we help more people achieve a better later life".

FINANCIAL CALENDAR	DATE
Results for the six months ended 30 June 2021	12 August 2021

Notes

[1] This figure is an estimate and allows for a notional recalculation of transitional measures for technical provisions ("TMTP") as at 31 December 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 TMTP amortisation and capital raising or repayment

[4] Underlying organic capital generation/(consumption) is organic capital generation/(consumption), but excludes other operating items

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An analyst presentation for those who have registered will take place via a live webcast at 10:00am.

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.

Chief executive officer's statement

FOCUSING ON CAPITAL, SUSTAINABILITY AND PURPOSE

2020 was a major landmark in the Group's history. We achieved our goal of becoming capital self-sufficient and we now have more choices in how we deploy our resources. We have a resilient, sustainable business and are well placed to help even more people achieve a better later life

I am delighted to present my Chief Executive Officer's Statement for the 2020 financial year.

CAPITAL

Our priority has been to deliver a sustainable capital model and 2020 was an important year in the attainment of that goal, as we achieved capital self-sufficiency more than a year earlier than originally planned. Our Solvency II capital coverage ratio has grown to 156% (estimated, post notional TMTP recalculation) from 141% at the end of 2019, an exceptional achievement given the particularly difficult economic environment. The increase reflects a sustained improvement in organic capital generation and the benefits arising from the successful execution of a range of management actions.

Increasing the organic capital generation has been a key focus of the whole leadership team. Underlying organic capital generation was positive for the first time in 2020, with management actions adding further to the surplus. Our increased focus on reducing costs and new business strain is helping to increase the underlying capital generation which provides a sustainable foundation for the future.

We have taken action to introduce significant de-risking initiatives over the year which have helped to increase the resilience of the balance sheet and to reduce the sensitivity of our capital position to economic factors. We have entered into our second and third no-negative equity guarantee ("NNEG") hedging transactions, sold a portion of our lifetime mortgages portfolio, released capital through more longevity reinsurance, this time on the GIfL portfolio and, as previously announced, signed our first DB partnering deal.

We have successfully hedged against interest rate movements and proactively managed our credit portfolio to positively contribute to our solvency capital despite credit downgrades.

The UK property market has been resilient since the start of the COVID-19 pandemic. We recognise that the uncertainty over the health of the UK economy makes it more difficult to predict the future trajectory of UK property prices to which our solvency position is exposed, as shown in the Solvency II property sensitivities included in the Business Review. The sensitivity has reduced due to the significant management actions we have executed over the year – both in further NNEG hedges, which partially protect around 20% of our LTM book against adverse future property performance, and in the sale of around 8% of the mortgage book. We expect further management actions will be implemented to reduce risk and boost the Group's capital position.

Regulatory engagement has remained high, as we have taken action to strengthen our capital position and reduce our property exposure. Some uncertainty and risks remain with further details in the principal risks and uncertainties section, and in note 35, Capital.

GROWTH AND INNOVATION

The retirement markets we participate in provide long-term structural growth opportunities and we are able to achieve high levels of return on the capital we invest in those markets. In the second half of 2020 we started to take more of those opportunities and we will be building on those foundations in 2021.

We are investing for growth by developing new solutions to positively disrupt our markets and deliver better outcomes for customers. This year we announced our first defined benefit partnering transaction, a capital light model for DB de-risking transactions which exceed £250m in size. In our retail markets we have introduced Destination Retirement, our unique automated advice service which has been developed to help close the financial advice gap for people in middle Britain with more modest pension savings.

OUR PURPOSE AND SUSTAINABILITY

Just has a strong social purpose: we help people achieve a better later life. We help our customers achieve security, certainty and peace of mind. During 2020, we have further strengthened our sustainability credentials as we became the first UK insurer to issue a Green Bond and the first to provide a green lifetime mortgage. The Green Bond enshrines our commitment to supporting the transition to a low-carbon global economy as all the proceeds are earmarked to be invested in green infrastructure projects. In 2019 our carbon intensity per employee was already the lowest in the FTSE 350 life insurance sector and in 2020 we have achieved further dramatic reductions. However this is a long-term journey and we will continue to work hard to improve all aspects of sustainability that we touch as a business.

CUSTOMERS

The needs of our customers are forefront when setting our goals. Many of our customers are in vulnerable groups and so we are proud that we have maintained the delivery of all the Group's services to customers during the disruption caused by the pandemic. In addition, we made a number of changes to our products and services to help support our customers through this difficult period where many household services have been impacted by the pandemic.

COLLEAGUES AND CULTURE

Protecting the welfare of our colleagues across the Group and ensuring the delivery of critical services to customers have been clear priorities driving our response to the pandemic. We are very aware of the challenges colleagues face when working from home and particularly for those with additional caring responsibilities.

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 so positively and with such agility to our new way of working during the pandemic.

Building a diverse workforce and strengthening our inclusive culture is a key priority for Just. It's the right thing to do and it helps us to succeed, innovate and better serve our customers. I am proud that we have increased gender diversity across senior roles by 5 percentage points in 2020 and we are on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by 2023.

PERFORMANCE REVIEW

I am very pleased that, as our capital position has improved over the year and after taking decisive action to reduce new business strain, we have been able to return to new business growth in the second half of the year. For the whole year, Retirement Income sales were £2,145m, an increase of 12% from the prior year.

The DB market has been very resilient throughout the crisis. DB sales were up 22% to £1,508m which is testament to how well both trustees and employee benefit consultants have adapted to working remotely.

The retail business was initially more affected but adapted swiftly and by the second half of 2020 GIfL and LTM sales were similar to those in the second half of 2019.

IFRS profit before tax for 2020 was £237m (2019: £369m) due to lower economic profits in 2020. Adjusted operating profit before tax rose to £239m (2019: £219m), as higher sales and new business profit, together with improved in-force earnings, have helped to offset higher finance costs.

The attention to capital discipline has resulted in a further fall in our new business strain to £48m (2019: £74m) and helped to achieve a very pleasing positive organic capital generation of £221m. We are building a strong, sustainable track record in capital generation, something that we are all committed to continuing.

IN CONCLUSION

These are extraordinary times and we are doing all we can to ensure we live up to our purpose to help people achieve a better later life. I am very grateful to my colleagues for their resilience, commitment and adaptability during this challenging period. We are pleased that our relentless focus on our key goal of strengthening the Group's capital has resulted in a much improved position that will allow us to make more positive choices around growth, innovation and shareholder returns in 2021 and beyond.

DAVID RICHARDSON

Group Chief Executive Officer

Business review

DELIVERING RESULTS

The Board is focused on building a more resilient capital base and delivering value for customers and shareholders

The Business Review presents the results of the Group for the year ended 31 December 2020, including IFRS and Solvency II information.

The business has made strong positive progress over 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 slowdown. Advisers and customers have adapted well to new virtual ways of doing business.

Most importantly, the capital position of the Group has strengthened during the year as we have built the Solvency II capital coverage ratio ("coverage ratio") to 156% as at 31 December 2020[1] from 141% at the end of 2019, and 136% at the end of 2018[1]. This strong result has been enabled by the completion of significant management actions, successful capital raising and the impressive improvement in underlying capital generation. All of this combined has improved the capital coverage ratio, and at the same time offset the various negative regulatory costs including accelerated TMTP amortisation.

We have delivered consistently on management actions that improve the solvency capital position and reduce the sensitivity of the solvency balance sheet to UK house prices. During 2020 we have completed two NNEG hedges, sold a portfolio of LTMs, increased GIfL longevity reinsurance and announced a DB partnering agreement.

Underlying organic capital generation is now in a healthy positive position, which is an important milestone. This has been achieved through both a further reduction in new business strain to 2.2% (from 3.9% in 2019) and a focus on costs that has reduced the expense overrun by £10m year on year to £8m.

The balance sheet has proved extremely resilient as movements in the financial markets have had limited impact on the Group's capital position during the year. House price growth has been slightly ahead of our long-term assumptions. Active hedging of the Group's interest rate exposure has also minimised any impact from the c.60bps reduction in long-term interest rates since the start of the year. Credit downgrades affecting over 6% of the Group's corporate bond portfolio have led to a c.2% reduction in the coverage ratio, but were more than offset by the positive capital impacts from portfolio management. The Green Bond issue underscores the Group's commitment to diversifying our illiquid portfolio as the proceeds are earmarked for investment in renewable energy and green infrastructure projects. At this time, the outlook for the economy and continued progress of the COVID-19 pandemic both continue to be uncertain, but the position has improved substantially from the initial impact felt in the first half of 2020. The longer-term impact from the pandemic on policyholder mortality is still unknown. The Group remains exposed to the impact of further downgrades and future defaults on its corporate bond portfolio as well as to a potential fall in UK house prices. The impacts over 2020 have been minimal compared to initial market fears. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 17 and 23 of these financial statements.

1 These figures allow for a notional recalculation of TMTP as at 31 December 2018 and 2020.

CAPITAL MANAGEMENT

JUST GROUP PLC ESTIMATED SOLVENCY II CAPITAL POSITION

The Group's coverage ratio was estimated at 156% at 31 December 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 implement management actions to de-risk the balance sheet have led to positive organic capital generated of £221m. In addition the Group has raised a net £113m of subordinated debt, which has added 6 percentage points to the coverage ratio. The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's key performance indicators ("KPIs").

Unaudited	**31 December 2020[1] £m**	31 December 2019 £m
Own funds	**3,014**	2,562
Solvency Capital Requirement	**(1,938)**	(1,814)
Excess own funds	**1,076**	748
Solvency coverage ratio	**156%**	141%

1 These figures allow for a notional recalculation of TMTP as at 31 December 2020. Without this recalculation, the Group's regulatory solvency capital ratio as at 31 December 2020 was estimated at 155%. See also note 35, Capital.

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

MOVEMENT IN EXCESS OWN FUNDS[1]

The table below analyses the movement in the capital growth over 2020.

Unaudited	**2020 £m**	2019 £m
Excess own funds at 1 January	**748**	577
Operating		
In-force surplus net of TMTP amortisation[3]	**164**	150
New business strain	**(48)**	(74)
Finance cost	**(66)**	(47)
Expenses	**(32)**	(44)
Underlying organic capital generation/(consumption)	**18**	(15)
Other	**203**	51
Total organic capital generation[2]	**221**	36
Non-operating		
Accelerated TMTP amortisation	**(24)**	(42)
Regulatory changes	**(19)**	(219)
Economic movements	**37**	(56)
RT1, T2 and equity issuance, net of costs[4]	**113**	452
Excess own funds at 31 December	**1,076**	748

1 All figures are net of tax, and assumptions allow for a notional recalculation of TMTP as at 31 December 2020.

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

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

4 2020 figure is £250m new Tier 2 capital raised in October 2020, net of tender for £75m of the Group's Tier 3 loan notes, and net of the repayment of PLACL's Tier 2 bond which was called in March 2020. 2019 figure is net of £37m repayment in respect of PLACL's Tier 2 bond tender in October 2019.

ORGANIC CAPITAL GENERATION

Positive £221m of organic capital generation is a very significant improvement on the £36m of capital generation in 2019.

During 2020, the Group reached an inflection point as we became organically capital generative on an underlying basis for the first time, an important milestone for the Group. The improvement to an underlying organic capital generation of £18m (2019: £15m consumption) was as a result of a number of initiatives. New business strain is down, which reflects a focus on new business pricing discipline, capital optimisation and further longevity reinsurance. In-force surplus has continued to increase as the size of the in-force book grows, offsetting the increase in finance cost from the new debt instrument issued. Continued focus on costs has reduced expense overruns by £10m when compared to 2019. We remain confident that the 2020 overruns of £8m will be eliminated by the end of 2021.

In addition, we have executed a number of management actions over the period and these are included in the "other" activities. This includes capital generation of £104m from the expansion of GIfL reinsurance completed in June 2020, the second and third no-negative equity guarantee ("NNEG") hedges entered into during the year and the DB partnering deal entered into in March. Furthermore, positive mortality experience contributed £25m and modelling changes added a further £54m benefit from the adoption of CMI 2019. Other modelling changes added a further £19m.

NON-OPERATING ITEMS

Economic movements of £37m 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 small positive property variance of £3m reflected a growth in house prices over 2020 of 3.9%, which was just above our long-term assumption. The cost of credit migration during the year was £42m, or a 2% reduction in our coverage ratio. Since the start of the pandemic over 17% of our issuers, by market value, have been downgraded, £730m of our portfolio has been downgraded by at least one letter, and of this, £167m has been downgraded to sub-investment grade. The credit migration cost was much more than offset by £88m of positive capital impacts from management of the credit portfolio.

There is a small negative from regulatory changes in 2020, 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.

As a result of additional NNEG hedges and the sale of an LTM portfolio, the property sensitivity has reduced to 14% (2019: 15%). We anticipate that additional management actions will reduce this sensitivity further. Note that the credit quality step downgrade sensitivity below, as well as being a severe stress requiring a significant downgrade in credit quality for 20% of our credit portfolio, also does not allow for the positive impact from credit portfolio management during a time of stress.

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

ESTIMATED GROUP SOLVENCY II SENSITIVITIES[1]

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2020	156	1,076
-50 bps fall in interest rates (with TMTP recalculation)	1	94
+100 bps credit spreads	1	21
Credit quality step downgrade (with TMTP recalculation)[2]	(13)	(201)
+10% LTM early redemption	2	21
-10% property values (with TMTP recalculation)[3]	(14)	(247)
-5% mortality	(13)	(236)

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

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

3 After application of NNEG hedges.

RECONCILIATION OF IFRS SHAREHOLDERS' NET EQUITY TO SOLVENCY II OWN FUNDS

Unaudited	**31 December 2020[1] £m**	31 December 2019 £m
Shareholders' net equity on IFRS basis	**2,490**	2,321
Goodwill	**(34)**	(34)
Intangibles	**(100)**	(120)
Solvency II risk margin	**(846)**	(873)
Solvency II TMTP	**2,106**	1,891
Other valuation differences and impact on deferred tax	**(1,391)**	(1,271)
Ineligible items	**(5)**	(35)
Subordinated debt	**795**	684
Group adjustments	**(1)**	(1)
Solvency II own funds	**3,014**	2,562
Solvency II SCR	**(1,938)**	(1,814)
Solvency II excess own funds	**1,076**	748

1 These figures allow for a notional recalculation of TMTP as at 31 December 2020.

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

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

The Board has also adopted a number of 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. During 2020 the Group introduced two new KPIs, management expenses, and underlying organic capital generation/(consumption). In-force operating profit has been discontinued as a KPI. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit and net assets. The Group's KPIs are discussed in more detail within the capital management section above, and on the following pages.

The Group's KPIs are shown below:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Change %
Underlying organic capital generation/(consumption)[1]	**18**	(15)	
Organic capital generation[1]	**221.0**	36.0	
Retirement Income sales[1]	**2,145.3**	1,918.1	12
New business operating profit[1]	**199.2**	182.0	9
Adjusted operating profit before tax[1]	**239.3**	218.6	9
Management expenses[1]	**159.3**	169.0	(6)
IFRS profit before tax	**236.7**	368.6	(36)

	31 December 2020 £m	31 December 2019 £m	Change %
Solvency II capital coverage ratio[2]	**156%**	141%	
IFRS net assets	**2,490.4**	2,321.0	7

1 Alternative performance measure, see glossary for definition.

2 Estimated, after allowing for a notional recalculation of TMTP as at 31 December 2020.

ADJUSTED OPERATING PROFIT

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Change %
New business operating profit	**199.2**	182.0	9
In-force operating profit	**97.8**	84.4	16
Underlying operating profit	**297.0**	266.4	11
Operating experience and assumption changes	**46.2**	42.2	9
Other Group companies' operating results	**(17.1)**	(13.1)	(31)
Development expenditure	**(7.3)**	(10.3)	29
Reinsurance and finance costs	**(79.5)**	(66.6)	(19)
Adjusted operating profit before tax[1]	**239.3**	218.6	9

1 See reconciliation in the section "Reconciliation of operating profit to statutory IFRS results" of this Business Review.

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax of £239.3m increased by 9% in 2020 (2019: £218.6m). Within this, underlying operating profit, the sum of new business operating profit and in-force operating profit, rose 11% to £297.0m. Operating experience variance and assumption changes increased to £46.2m in 2020 (2019: £42.2m) and were broadly in-line with the previous year. Finance costs increased by 19% to £79.5m, driven by a full 12 month run-rate from the Restricted Tier 1 notes issued in March 2019.

NEW BUSINESS OPERATING PROFIT

New business operating profit has increased by 9% to £199.2m (2019: £182.0m). This reflects a 12% increase in Retirement Income sales to £2,145.3m (2019: £1,918.1m), with a strong performance in the second half of the year, particularly in DB, while GIfL/Care sales returned to a normalised run-rate following the easing of lockdown restrictions in June. The new business margin achieved on Retirement Income sales during the period was 9.3% (2019: 9.5%), reflecting adjustments made to the asset mix backing the new business and increased longevity reinsurance as part of the Group's capital self-sufficiency objective. The Group continues to focus on pricing discipline and risk selection, and is benefiting from lower acquisition costs due to business mix and cost reductions.

MANAGEMENT EXPENSES

Management expenses have decreased by 6% to £159.3m (2019: £169.0m). This is due to strengthened procurement and cost controls, elimination of certain vacant roles, selective hiring and lower marketing and distribution costs due to the effect of remote working and social distancing. Furthermore, previous property rationalisation savings have come through for the full twelve months.

IN-FORCE OPERATING PROFIT

In-force operating profit increased by 16% to £97.8m (2019: £84.4m), reflecting growth in profit from the Group's growing in-force book of business and higher surplus assets, while maintaining control of policy maintenance costs. The effect of widening credit spreads and downgrades during the year further added to in-force operating profit.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

The Group has paid close attention to developments as the COVID-19 vaccine programme rolls out across the population, which began with its customer base, many of whom are in the most vulnerable category. However, the long-term impact of the COVID-19 pandemic on those who recovered from the disease, the efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes need to be considered when reviewing long-term assumptions, in particular in respect of property and mortality.

The Group considered the early experience of the COVID-19 pandemic as part of the annual basis review in December 2020, and will continue to assess its long-term assumptions during 2021. Sensitivity analyses are shown in notes 17 and 23 which set out the impact on the IFRS results from changes to key assumptions, including property and mortality.

Overall, positive operating experience and assumption changes of £46.2m were reported in 2020 (2019: £42.2m). Within this £46.2m figure, operating experience was £20.1m, primarily due to data and modelling updates, offset by the reinsurance changes applied during 2020, specifically, the increased reinsurance coverage on GIfL business and the reinsurance implementation for our first DB partnering scheme. These combined to a net positive £15.7m. Positive mortality experience for guaranteed income due to higher than expected deaths during the period was 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, resulting in a net positive £6.8m. Various other items totalled a negative £2.4m. There were a number of assumption changes including the adoption of CMI 2019 across our product range, which led to a net £61.9m longevity reserve release as the guaranteed income release outweighed LTM strengthening. Offsetting this release, calibration and other modelling refinements led to a £31.7m strengthening. The review of other assumptions led to a £4.0m reserve strengthening, resulting in net assumption changes of £26.2m.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £17.1m in 2020 compared to a loss of £13.1m in 2019.

DEVELOPMENT EXPENDITURE

Development expenditure mainly relates to product development and new initiatives, such as new capital light products. Development expenditure also relates to distribution improvements such as online capability and digital access. Development expenditure has fallen as project expenditure concludes.

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 a full 12 month run-rate from the Restricted Tier 1 notes issued in March 2019 and the £125m Tier 2 notes issued in October 2019. It also includes the coupon from the Green £250m Tier 2 notes issued in October 2020.

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**1,507.9**	1,231.3	22
Guaranteed Income for Life Solutions ("GIfL")	**585.9**	615.7	(5)
Care Plans ("CP")	**51.5**	71.1	(28)
Retirement Income sales	**2,145.3**	1,918.1	12

The Group's key focus is capital self-sufficiency, resilience, and providing optionality to deploy surplus capital. As part of this commitment, in 2019, we wrote less new business in order to reduce new business capital strain. During 2020, as the first half COVID-19 related disruption subsided, we executed our business plan by selectively increasing volumes at attractive margins. Our chosen markets have proven resilient in the face of considerable challenges, as the structural growth drivers that underpin our markets are unchanged. Retirement Income sales for 2020 increased by 12% to £2,145.3m (2019: £1,918.1m).

DB sales for the year were £1,507.9m, an increase of 22%. Transactions are lumpy in nature and subject to timing differences, with a number of transactions postponed due to COVID-19 disruption subsequently completing. DB sales in the second half of the year were over £1bn, a record for the Group. We completed 23 transactions during 2020 (2019: 23 transactions). The defined benefit de-risking market continues to be buoyant. We estimate that the DB market was c.£30bn in 2020, the second highest on record, after an exceptional year in 2019 (£43.8bn). In 2021, we expect to participate more fully in the deferred liabilities market, thus improving our Buy-out proposition, and to actively quote on larger case sizes including those suitable for DB partnering.

2020 GIfL sales decreased by 5% to £585.9m (2019: £615.7m). 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 most impacted by COVID-19 disruption, but only represent 2% of Retirement Income sales.

OTHER NEW BUSINESS SALES

Lifetime Mortgage advances were £511.7m for 2020 (2019: £415.8m), an increase of 23%. 2020 includes £36m of LTM origination on behalf of a third party. The Group does not hold an economic exposure for these assets, it earns a fee for originating and administering these loans. LTM spreads were relatively stable during the year as risk free rates fell, whereas in 2019, there was increased competition, particularly in the first half of the year, which resulted in lower volumes that year.

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. In future, we expect to gradually taper the proportion of LTMs backing new business towards 20%.

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 increased from 17.6 pence for 2019, to 18.8 pence for 2020.

	Year ended 31 December 2020	Year ended 31 December 2019
Adjusted earnings (£m)	**193.8**	177.1
Weighted average number of shares (million)	**1,030.7**	1,007.5
Adjusted EPS (pence)	**18.8**	17.6

EARNINGS PER SHARE

	Year ended 31 December 2020	Year ended 31 December 2019
Earnings (£m)	**165.5**	285.8
Weighted average number of shares (million)	**1,030.7**	1,007.5
EPS (pence)	**16.1**	28.4

RECONCILIATION OF OPERATING PROFIT TO STATUTORY IFRS RESULTS

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Adjusted operating profit before tax	**239.3**	218.6
Non-recurring and project expenditure	**(12.7)**	(8.3)
Implementation of cost saving initiatives	**(8.5)**	(13.5)
Investment and economic profits	**8.5**	173.8
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28.1**	16.8
Amortisation costs	**(18.0)**	(18.8)
IFRS profit before tax	**236.7**	368.6

NON-RECURRING AND PROJECT EXPENDITURE

Non-recurring and project expenditure was £12.7m (2019: £8.3m) and includes preparations for the new insurance accounting standard, IFRS 17, the costs associated with Green Tier 2 bond/concurrent Tier 3 tender, preparations for an internal model change to incorporate the recent regulatory changes and to move PLACL from standard formula to a Group internal model, and a number of smaller project costs. It 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. The costs of on-going interaction with our regulators and the costs of implementing less significant regulatory changes are included in operating costs.

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.

INVESTMENT AND ECONOMIC PROFITS

Investment and economic profits for 2020 were £8.5m (2019: £173.8m). A large gain from the fall in risk-free rates has been largely offset by a change in the long term property growth assumption and the sale of an LTM portfolio.

The decrease in risk-free rates during the first half of 2020, has led to a gain of £360m for the year as a whole. The impact of falling interest 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. There were small negatives from credit spreads and downgrades (£14m) and property growth experience (£5m).

We have taken a prudent view to reduce the long term property growth assumption by 50 basis points to 3.3% from 3.8% previously. In updating these assumptions, the Board took into consideration future macro-economic uncertainties including the effect of COVID-19 and Brexit on the UK property market. The strengthening of these assumptions has given rise to a £166m loss, which is the combination of the change in lifetime mortgage asset values and the increase to the value of insurance liabilities from the resulting reduction to the valuation interest rate. Furthermore, in December 2020, the Group sold a portfolio of lifetime mortgages with accumulated value of £540m. These LTMs were sold at a gain to the IFRS fair value, but, we have foregone the difference in investment yield with the replacement bonds, and hence incurred a £136m pre-tax loss. Over time a proportion is planned to be allocated to new illiquid assets reducing this initial impact.

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

There were no corporate bond defaults within our portfolio during the period (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.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Gross premiums written	**2,147.8**	1,921.0
Reinsurance premiums ceded	**(232.0)**	2.8
Reinsurance recapture	**940.0**	436.8
Net premium revenue	**2,855.8**	2,360.6
Net investment income	**1,777.7**	1,451.7
Fee and commission income	**11.7**	12.7
Total revenue	**4,645.2**	3,825.0
Net claims paid	**(1,000.2)**	(861.1)
Change in insurance liabilities	**(2,983.1)**	(2,237.8)
Change in investment contract liabilities	**(1.8)**	92.2
Acquisition costs	**(44.5)**	(35.2)
Other operating expenses	**(219.9)**	(227.8)
Finance costs	**(159.0)**	(186.7)
Total claims and expenses	**(4,408.5)**	(3,456.4)
Profit before tax	**236.7**	368.6
Income tax	**(44.2)**	(66.2)
Profit after tax	**192.5**	302.4

GROSS PREMIUMS WRITTEN

Gross premiums written for the year were £2,147.8m, an increase of 12% compared to the prior period (2019: £1,921.0m). As discussed above, the overall increase reflects a 22% increase in DB sales, offset by a reduction in GIfL and Care sales, which were impacted by challenges from COVID-19 in the first half of 2020.

REINSURANCE PREMIUMS CEDED

Reinsurance premiums ceded (expense of £232.0m) has increased in 2020 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 (2019: £2.8m credit).

REINSURANCE RECAPTURE

During 2020 the Group recaptured all of the remaining quota share reinsurance arrangements held by its subsidiary JRL. These reinsurance treaties included financing arrangements, which allowed a capital benefit under the old Solvency I regime. The treaties allowed the recapture of business once the financing loan from the reinsurer had been repaid, and the Group has now fully repaid all such financing arrangements (2019: outstanding financing of £14.5m). This has resulted in a decrease of reinsurance assets of £940m 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 change in insurance liabilities respectively.

NET PREMIUM REVENUE

Net premium revenue increased from £2,360.6m to £2,855.8m, driven by the increase in gross premiums written, plus the impact of the reinsurance recaptures made during the year, offset by reinsurance premiums ceded.

NET INVESTMENT INCOME

Net investment income increased from £1,451.7m to £1,777.7m 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. 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. During 2020 this line item also includes realised gains from the sale of £540m of the Group's lifetime mortgages, offset by the change to the carrying value of mortgages from the change to the Group's property growth assumption.

NET CLAIMS PAID

Net claims paid increased to £1,000.2m, from £861.1m in 2019, reflecting the continuing growth of the in-force book.

CHANGE IN INSURANCE LIABILITIES

Change in insurance liabilities was £2,983.1m for the current year, compared to £2,237.8m in 2019. The increase is principally due to a greater fall in the valuation interest rate and a larger reinsurance recapture.

ACQUISITION COSTS

Acquisition costs have increased from £35.2m in 2019 to £44.5m in 2020, mainly as a result of an increase in LTM new business compared to the prior year.

OTHER OPERATING EXPENSES

Other operating expenses decreased from £227.8m in 2019 to £219.9m for the current year. This is driven by a reduction in management expenses, as explained above, which has been achieved through the cost saving initiatives entered into during 2019 and 2020.

FINANCE COSTS

The Group's overall finance costs decreased from £186.7m in 2019 to £159.0m in 2020. The main driver relates to a reduction in reinsurance deposits, which have fallen in line with the reinsurance recaptures made. This decrease has partly offset by interest on the new Tier 2 loan notes issued in October 2019 and October 2020.

INCOME TAX

Income tax for the year ended 31 December 2020 was £44.2m (2019: £66.2m), with an effective tax rate of 18.7% in line with corporation tax rates (2019: effective tax rate of 18.0%).

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	31 December 2020 £m	31 December 2019[1] £m
Assets		
Financial investments	**23,269.8**	21,606.0
Reinsurance assets	**3,132.6**	3,860.6
Other assets	**1,771.0**	555.8
Total assets	**28,173.4**	26,022.4
Share capital and share premium	**198.3**	198.0
Other reserves	**948.8**	949.9
Accumulated profit and other adjustments	**1,051.2**	879.9
Total equity attributable to ordinary shareholders of Just Group plc	**2,198.3**	2,027.8
Tier 1 notes	**294.0**	294.0
Non-controlling interest	**(1.9)**	(0.8)
Total equity	**2,490.4**	2,321.0
Liabilities		
Insurance liabilities	**21,118.4**	19,003.7
Reinsurance liabilities	**267.1**	128.6
Other financial liabilities	**3,305.1**	3,678.9
Insurance and other payables	**91.6**	72.6
Other liabilities	**900.8**	817.6
Total liabilities	**25,683.0**	23,701.4
Total equity and liabilities	**28,173.4**	26,022.4

1 Restated in relation to reinsurance assets and reinsurance liabilities. See sections on reinsurance assets and reinsurance liabilities below, and note 2 to the financial statements.

FINANCIAL INVESTMENTS

During the last 12 months, financial investments increased by £1.7bn to £23.3bn at (2019: £21.6bn). 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 50% of the Group's corporate bond and gilts portfolio rated A or above (2019: 53%) and continues to be well balanced across a range of industry sectors and geographies. Given the macroeconomic uncertainty, credit rating agencies have proactively taken a cautious approach, and have been slower to restore corporates to a level our fundamental credit analysis supports. The Group has limited exposure to those sectors that are most sensitive to structural change, such as Energy, Auto manufacturers and Consumer (cyclical), while the BBB-rated bonds are weighted towards the sectors least at risk from uncertain macro conditions post COVID-19/Brexit, including Utilities, Communications and Technology, and Infrastructure. Over the past year, the Group actively managed its portfolio and sold £639m of bonds, including those that were most exposed to downgrade. We constantly review the sector allocations, and within those, take the opportunity to trade out of individual names to stay ahead of credit rating agency actions, whilst maintaining diversification. From a sector perspective, the main rotational difference during 2020 was an increase in utilities, infrastructure and commercial mortgages and reduced exposure to banks and basic materials. At 31 December 2020, the Group's holding in liquidity funds was in line with expectations, as the Group invested its excess year end cash balances into corporate bonds and other fixed income assets, at attractive credit spreads. Combined with an opportunity to improve duration matching in 2020 following the LTM notes restructuring in Q4 2019, new investments in alternative asset classes and proactive management of the Group's bond portfolio led to a net positive contribution of £46m to Solvency II surplus.

The loan-to-value ratio of the mortgage portfolio at 31 December 2020 was 36.1% (2019: 34.3%). The percentage of lifetime mortgages decreased by 1.4 percentage points to 35.5% of financial investments, following the sale of a £540m portfolio of mortgages to a third party in December 2020. This sale was offset by an increase in the valuation of the remaining LTMs relative to bonds, due to the fall in interest rates as LTMs are typically longer duration. 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.

	31 December 2020 £m	31 December 2020 %	31 December 2019 £m	31 December 2019 %
AAA[1]	**2,197.3**	**9.4**	2,440.0	11.3
AA[1] and gilts	**1,988.8**	**8.5**	1,777.3	8.2
A	**4,135.5**	**17.8**	3,709.8	17.2
BBB	**6,023.4**	**25.9**	5,290.7	24.5
BB or below	**408.4**	**1.8**	194.8	0.9
Unrated/Other[2]	**255.3**	**1.1**	212.9	1.0
Lifetime mortgages	**8,261.1**	**35.5**	7,980.5	36.9
Total	**23,269.8**	**100.0**	21,606.0	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 at 31 December 2020 is shown below and continues to be well diversified across a variety of industry sectors.

	31 December 2020 £m	31 December 2020 %	31 December 2019 £m	31 December 2019 %
Basic materials	**199.9**	**0.9**	329.8	1.5
Communications and technology	**1,188.9**	**5.1**	1,148.2	5.3
Auto manufacturers	**385.0**	**1.7**	446.6	2.1
Consumer (staples including healthcare)	**976.6**	**4.2**	927.1	4.3
Consumer (cyclical)	**112.8**	**0.5**	194.9	0.9
Energy	**462.7**	**2.0**	422.7	2.0
Banks	**1,422.5**	**6.1**	1,859.7	8.5
Insurance	**824.9**	**3.5**	724.2	3.4
Financial – other	**462.5**	**2.0**	426.6	2.0
Real estate including REITs	**771.3**	**3.3**	450.2	2.1
Government	**1,340.4**	**5.8**	1,128.9	5.2
Industrial	**839.6**	**3.6**	628.6	2.9
Utilities	**2,029.9**	**8.7**	1,708.2	7.9
Commercial mortgages	**707.0**	**3.0**	494.5	2.3
Infrastructure	**1,220.5**	**5.2**	892.9	4.1
Other	**38.0**	**0.2**	76.5	0.4
Corporate/government bond total	**12,982.5**	**55.8**	11,859.6	54.9
Lifetime mortgages	**8,261.1**	**35.5**	7,980.5	36.9
Liquidity funds	**1,128.5**	**4.8**	1,384.0	6.4
Derivatives and collateral	**897.7**	**3.9**	381.9	1.8
Total	**23,269.8**	**100.0**	21,606.0	100.0

ENVIRONMENTAL, 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 has also been a constituent of the FTSE4Good Index Series since December 2019. The index is designed to measure the performance of companies demonstrating strong ESG practices. During the 12 months to 31 December 2020, the Group increased its investments in dedicated green and social investments to £1,138m, representing 8.8% of the bond portfolio (2019: 6.6% of the bond portfolio). This proportion does not include the Group's substantial investment in lifetime mortgages, which help customers achieve a better later life, through releasing equity tied up in their home. 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, and which is available on our website www.justgroupplc.co.uk.

In October 2020, Just Group became the first UK and the fifth European insurer to issue a Green Bond. The Group received a second party opinion as part of the bond accreditation process, and has committed to investing the bond proceeds in eligible green investment assets, focusing on renewable energy, green buildings and clean transportation.

REINSURANCE ASSETS

Reinsurance assets decreased to £3.1bn at 31 December 2020 (2019: £3.9bn). The decrease relates to the reinsurance recaptures made during 2020, offset by new reinsurance arrangements entered into for DB partnering (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 2 to the financial statements for further details).

OTHER ASSETS

Other assets mainly comprise cash and cash equivalents, and intangible assets. During 2020 the Group has significantly increased the amount of assets held in cash and cash equivalents so as to increase protection against liquidity stresses, such as those experienced in Q1 of 2020 as an initial market reaction to the COVID-19 pandemic.

INSURANCE LIABILITIES

Insurance liabilities increased to £21.1bn at 31 December 2020 (2019: £19.0bn). 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 2 to the financial statements).

OTHER FINANCIAL LIABILITIES

Other financial liabilities decreased to £3.3bn at 31 December 2020 (2019: £3.7bn). These liabilities mainly relate to deposits received from reinsurers, together with derivative liabilities and cash collateral received. The reduction from the prior year relates to the reinsurance recaptures in 2020.

OTHER LIABILITIES

Other liability balances increased to £900.8m at 31 December 2020 (2019: £817.6m). The Group's loans and borrowings increased by c.£110m as a result of the issuance of the green Tier 2 bond in October 2020, offset by a £75m Tier 3 tender and the call of the remaining amount of the PLACL bond in March 2020. This increase has been offset by decreases in other liability balances, including in relation to corporation tax for which there is no longer any liability at the year end (2019: £10.2m liability) due to changes to the quarterly payment regime in 2020 whereby corporation tax payments are made in full by the end of the year.

IFRS NET ASSETS

The Group's total equity at 31 December 2020 was £2,490.4m, 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 £2,198.3m resulting in net asset value ("NAV") per ordinary share of 212p (2019: 196p).

DIVIDENDS

Whilst the Group has made significant progress to build its capital base to accommodate the regulations on equity release mortgages and to start to grow its underlying capital generation, the external environment as we emerge from the pandemic continues to be uncertain. The Board therefore considers that it would not be appropriate to recommend recommencing dividend payments (total 2019 dividend: nil).

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 developing 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 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 processes. 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.

Principal risks and uncertainties

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 supervision **Strategic objective** 1,3,4,5 **Change in the year** No Change/ Stable **Risk outlook** No Change/ Stable	The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. This is shown in the 2020/21 Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") Business Plans. This was also highlighted as a result of regulatory activity relating to the COVID-19 pandemic and the impact on financial services. 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 actions Just have taken have led to a reduction in the Matching Adjustment ("MA") available from ERMs and a consequential increase in the costs of the NNEG, partially offset by an increase in TMTP. Just has also taken action to review its ERM investment limits, given the change in MA. 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. 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. The PRA has heightened their focus on the use of illiquid assets as insurers expand asset allocations in this area, clarifying the regulatory expectations of qualitative and quantitative assessments. The Group has extensively reviewed and is further enhancing its investment strategy, including taking steps to significantly reduce exposure to property risk through LTMs. In 2019 the PRA published PS11/19 and SS3/19 requiring firms to set out plans for identifying and managing financial risks from climate change. In July 2020 the PRA issued a follow up "Dear CEO" letter requiring firms to have fully implemented these plans by the end of 2021. The FCA published PS20/17 in December 2020 which sets out that premium-listed firms (which includes Just Group plc) are expected to comply with the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ("TCFD"). Climate change could affect Just Group's financial risks in two ways: (i) transitional risk – the increased consideration of sustainability in investment decisions may restrict investment choice, including in properties; 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, or heatwaves leading to increased subsidence, which may affect the value of properties not seen as having such an exposure at present. A fall in property values could affect our ability to recover the full balances of lifetime mortgages as a result of the NNEG. The PRA and FCA have issued several consultation papers on new requirements to strengthen operational resilience in the financial services sector.	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. 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. During 2020 we have completed two further NNEG hedges, sold a portfolio of LTMs and increased GIfL longevity reinsurance; this improved the Group's solvency capital position and reduced the sensitivity of the solvency balance sheet to UK house prices. Subject to the outcome of HMT's review of Solvency II launched this autumn, it is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group from a regulatory change perspective due to the on-shoring of existing EU regulatory framework into UK law. Whilst a trade deal was agreed between the UK and the EU before the end of the transition period, this does not address the specific issue of UK insurers continuing payments to EU/EEA resident customers from 1 January 2021. However, following engagement with EU/EEA regulators over the past 12-18 months, permanent or interim solutions are in place in jurisdictions where material numbers of our customers reside. Just will continue to engage with national regulators as required to ensure any further measures to allow payments to policyholders to continue are completed. HMT are undertaking a review of the future regulatory framework in the UK post-Brexit. This covers the general regulatory framework and roles of the UK regulators as well as a review specifically focused on adapting Solvency II to fit the UK insurance market. Just are currently reviewing the potential implications and opportunities these reviews present. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. Just's regulatory priorities include a major model change application for JRL's internal model, expected to be submitted in 2021 as well as agreeing the satisfactory regulatory treatment for the NNEG risk transfer transactions already completed. 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 NNEG hedging and LTM portfolio sale

Risk	Description and impact	Mitigation and management action
	This is a key priority for the regulators. Just Group is currently aligning its approach to the regulators' expectations ahead of the implementation deadline expected to be the end 2021. The FCAs Mortgage Intermediaries Portfolio Strategy and Lifetime Mortgage Providers Letters (published in October 2020 and November 2020 respectively), set out a programme of work which the FCA are undertaking to assess whether firms and their senior managers are taking reasonable steps to mitigate the risk of harm to customers and/or remedy harms that have occurred. Just has reviewed the implications of the letters and no significant gaps have been identified. There is a potential risk to the reputation of the overall LTM market. The risk-free rate used for valuing liabilities will be updated from 31 July 2021 to reference SONIA as opposed to LIBOR. Any difference between the risk-free curves on this date will have an impact on Excess Own Funds. 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.	transactions completed to date. We intend to continue to actively monitor the academic and market debate concerning the valuation of no-negative equity guarantees. Just is enhancing its ESG approach in its investment strategy as set out in the sustainable investment framework in Just's Green Bond documentation. We have identified the potential impacts of climate change on the Group's financial risks and are developing stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and equity release portfolios. The Group's risk management framework is being developed to accommodate and report on climate risks and appropriate disclosures in line with TCFD recommendations.
Risk B Risks from the economic environment **Strategic objective** 1,3,4,5 **Change in the year** Increasing **Risk outlook** No Change/ Stable	The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities 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 on the availability and attractiveness of certain securities and could increase the risk of credit downgrades and defaults in our corporate bond portfolio. There remains a lack of clarity regarding the UK's future trading arrangements with the EU for financial services which could negatively impact the UK economy. The Group remains exposed to impacts that the UK's withdrawal has on the UK economy as a whole, including residential house prices, which could stagnate or fall. A fall in residential property values, as a result of the COVID-19 pandemic for example, 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. It is possible that the Bank of England could 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.	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 managed by a combination of Just's internal investment team and specialist external fund managers, overseen by Just's own credit specialists, executing a diversified investment strategy in 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 also 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 historical 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

Risk	Description and impact	Mitigation and management action
	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. 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 is also a risk to any need that the Group may have to raise capital.	access the cash it needs should business cash inflows unexpectedly reduce. There can be some short-term volatility in the Group's cash flows, which is a consequence of Just's derivative hedging. Regular cash flow forecasts predict liquidity levels over both the short term and long term and stress tests help us understand any potential periods of strain. Following the extreme market volatility in March and April 2020, Just amended its ultra (one month or less) short-term liquidity requirements to be cash and cash equivalents only, and to keep reserves to cover the worst stresses that have occurred. The Group's liquidity requirements have been met over the past year and forecasting confirms that this position can reasonably be expected to continue for both investments and business operations.
Risk C Risks from our pricing and reinsurance **Strategic objective** 1,3,4 **Change in the year** No Change/ Stable **Risk outlook** No Change/ Stable	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 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. 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. The Group has monitored experience following the outbreak of COVID-19 and systematically reviewed external evidence related to the potential impact on assumptions. The Group continues to analyse possible direct and indirect impacts of the pandemic, including the possibility of an enduring effect on the longevity of customers.	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. A significant proportion of 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 on-going basis. Exposure is partially mitigated through the posting and receipt of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group, and is managed within the Group risk appetite limit. 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 similarly disruptive events. Any failure of the Group's IT and communications systems and/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, including remote data centres. Protecting our customers' interests is our top priority. Agile working arrangements enable the Group to protect customers, staff and business partners from

Risk	Description and impact	Mitigation and management action
Change in the year No Change/ Stable **Risk outlook** No Change/ Stable	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.	operational shocks, ensuring that no one experiences any material detriment. A formal but flexible resilience framework, supplemented by our modern working capabilities, enables Group continuity of service. Just's ability to remain operational is dependent upon a resilient technology platform, which allows us to switch our business from a central to a remote operating model. Risks associated with remote working have been assessed and addressed on an on-going basis. Privacy by design and staff awareness of their responsibilities underpins our commitment to protecting our customers' data. Strong data protection controls support this philosophy, with all staff trained in data handling and the high standards that are expected to protect it. We operate a Group-wide network of Data Protection Champions to promote awareness, good practice and identify improvements within their teams. To support this commitment, 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 continued to spend on market leading 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 **Change in the year** Increasing **Risk outlook** No Change/ Stable	The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital. 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 secure income in retirement for customers and the Group expects that demand for guaranteed income for life solutions will continue. The defined benefit de-risking market is expected to continue to grow strongly. 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 was significantly disrupted by the COVID-19 pandemic; providers, distributors, solicitors, conveyancers and valuers have adapted processes to continue to serve customers safely. House price growth observed in the second half of 2020 is expected to slow in 2021, which may impact appetite for equity release. Customer needs and expectations continue to evolve and change in profile, and there is a risk that we fail	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 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 continued to provide customers with products and services in our chosen markets. Any required operational changes received rigorous review ahead of

Risk	Description and impact	Mitigation and management action
	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.	implementation to ensure robust customer controls remained. At the start of 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. Following this launch, we successfully joined the FCA’s regulatory sandbox as part of our on-going close engagement with the regulator. The defined benefit pension transfer advice market has remained under close regulatory scrutiny through the year. We continue to operate in this market, demonstrating the high advice standards expected.
Risk F Risks to the Group’s brand and reputation **Strategic objective** 1,2,3,4,5 **Change in the year** No Change/ Stable **Risk outlook** Increasing	Our purpose is to help people achieve a better later life. Our Group’s brands reflect the way we intend to conduct our business and treat our customers and wider stakeholder groups. The Group’s reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. This could include, for example, failing to achieve the goals we have set for enhancing our sustainability framework. Additionally, the Group’s reputation could be threatened by external risks such as a cyber-attack or regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.	The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	**Year ended 31 December 2020 £m**	Year ended 31 December 2019 £m
Gross premiums written	7	**2,147.8**	1,921.0
Reinsurance premiums ceded		**(232.0)**	2.8
Reinsurance recapture		**940.0**	436.8
Net premium revenue		**2,855.8**	2,360.6
Net investment income	3	**1,777.7**	1,451.7
Fee and commission income	7	**11.7**	12.7
Total revenue		**4,645.2**	3,825.0
Gross claims paid		**(1,321.1)**	(1,247.5)
Reinsurers' share of claims paid		**320.9**	386.4
Net claims paid		**(1,000.2)**	(861.1)
Change in insurance liabilities:			
Gross amount		**(2,116.6)**	(1,730.6)
Reinsurers' share		**73.5**	(70.4)
Reinsurance recapture		**(940.0)**	(436.8)
Net change in insurance liabilities		**(2,983.1)**	(2,237.8)
Change in investment contract liabilities	24	**(1.8)**	92.2
Acquisition costs	4	**(44.5)**	(35.2)
Other operating expenses	5	**(219.9)**	(227.8)
Finance costs	6	**(159.0)**	(186.7)
Total claims and expenses		**(4,408.5)**	(3,456.4)
Profit before tax	7	**236.7**	368.6
Income tax	8	**(44.2)**	(66.2)
Profit for the year		**192.5**	302.4
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	8,15	**(1.1)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(0.6)**	(0.2)
Other comprehensive loss for the year, net of income tax		**(1.7)**	(0.2)
Total comprehensive income for the year		**190.8**	302.2
Profit attributable to:			
Equity holders of Just Group plc		**193.6**	302.6
Non-controlling interest	35	**(1.1)**	(0.2)
Profit for the year		**192.5**	302.4
Total comprehensive income attributable to:			
Equity holders of Just Group plc		**191.9**	302.4
Non-controlling interest	36	**(1.1)**	(0.2)
Total comprehensive income for the year		**190.8**	302.2
Basic earnings per share (pence)	12	**16.06**	28.37
Diluted earnings per share (pence)	12	**15.89**	28.00

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

Year ended 31 December 2020	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated 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 year		–	–	–	–	–	–	193.6	193.6	–	(1.1)	192.5
Other comprehensive loss for the year, net of income tax		–	–	–	–	(1.1)	–	(0.6)	(1.7)	–	–	(1.7)
Total comprehensive income/(loss) for the year		–	–	–	–	(1.1)	–	193.0	191.9	–	(1.1)	190.8
Contributions and distributions												
Shares issued	21	0.3	–	–	–	–	–	–	0.3	–	–	0.3
Dividends	13	–	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.1)
Interest paid on Tier 1 notes	22	–	–	–	–	–	–	(28.1)	(28.1)	–	–	(28.1)
Share-based payments		–	–	–	–	–	0.6	5.9	6.5	–	–	6.5
Total contributions and distributions		0.3	–	–	–	–	0.6	(22.3)	(21.4)	–	–	(21.4)
At 31 December 2020		103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	(1.9)	2,490.4

Year ended 31 December 2019	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 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 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	21	9.4	–	–	64.4	–	–	–	73.8	–	–	73.8
Tier 1 notes issued (net of costs)	22	–	–	–	–	–	–	–	–	294.0	–	294.0
Dividends	13	–	–	–	–	–	–	(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

1 Includes currency translation reserve.

The notes are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2020

	Note	**31 December 2020 £m**	31 December 2019 Restated (note 2) £m	1 January 2019 Restated (note 2) £m
Assets				
Intangible assets	14	**133.5**	154.4	171.0
Property, plant and equipment	15	**20.5**	26.8	21.4
Financial investments	16	**23,269.8**	21,606.0	19,252.5
Investment in joint ventures and associates		**–**	–	0.3
Reinsurance assets	23	**3,132.6**	3,860.6	4,350.8
Deferred tax assets	18	**11.5**	11.5	18.6
Current tax assets		**2.9**	–	42.1
Prepayments and accrued income		**74.3**	70.6	67.9
Insurance and other receivables	19	**32.0**	25.5	18.9
Cash and cash equivalents	20	**1,496.3**	267.0	113.9
Total assets		**28,173.4**	26,022.4	24,057.4
Equity				
Share capital	21	**103.8**	103.5	94.1
Share premium	21	**94.5**	94.5	94.5
Reorganisation reserve		**348.4**	348.4	348.4
Merger reserve	21	**597.1**	597.1	532.7
Revaluation reserve	15	**3.3**	4.4	4.4
Shares held by trusts		**(5.4)**	(6.0)	(6.2)
Accumulated profit		**1,056.6**	885.9	596.5
Total equity attributable to owners of Just Group plc		**2,198.3**	2,027.8	1,664.4
Tier 1 notes	22	**294.0**	294.0	–
Non-controlling interest	36	**(1.9)**	(0.8)	(0.6)
Total equity		**2,490.4**	2,321.0	1,663.8
Liabilities				
Insurance liabilities	23	**21,118.4**	19,003.7	17,273.8
Reinsurance liabilities	23	**267.1**	128.6	111.6
Investment contract liabilities	24	**42.8**	54.0	197.8
Loans and borrowings	25	**773.5**	660.0	573.4
Lease liabilities	26	**6.8**	12.4	–
Other financial liabilities	27	**3,305.1**	3,678.9	4,063.3
Deferred tax liabilities	18	**22.8**	26.3	32.2
Other provisions	30	**1.0**	1.8	0.7
Current tax liabilities		**–**	10.2	3.5
Accruals and deferred income		**53.9**	52.9	59.0
Insurance and other payables	31	**91.6**	72.6	78.3
Total liabilities		**25,683.0**	23,701.4	22,393.6
Total equity and liabilities		**28,173.4**	26,022.4	24,057.4

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 March 2021 and were signed on its behalf by:

Andy Parsons
Director

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	**Year ended 31 December 2020 £m**	Year ended 31 December 2019 £m
Cash flows from operating activities			
Profit before tax		**236.7**	368.6
Property revaluation loss through profit and loss	15	**1.2**	–
Depreciation of property, plant and equipment	15	**3.9**	4.5
Amortisation of intangible assets	14	**19.9**	19.9
Impairment of property, plant and equipment	15	**–**	4.0
Impairment of intangible assets	14	**1.1**	–
Loss on disposal of associated undertaking	36	**–**	0.3
Share-based payments		**6.5**	4.2
Interest income	3	**(631.7)**	(663.0)
Interest expense	6	**159.0**	186.7
Realised and unrealised gains on financial investments		**(1,039.7)**	(1,404.0)
Decrease in reinsurance assets		**866.5**	507.2
Increase in prepayments and accrued income		**(3.7)**	(2.7)
Increase in insurance and other receivables		**(6.1)**	(4.2)
Increase in insurance liabilities		**2,114.7**	1,729.9
Decrease in investment contract liabilities		**(11.2)**	(143.8)
Decrease in deposits received from reinsurers		**(775.3)**	(489.5)
Increase/(decrease) in accruals and deferred income		**3.3**	(5.7)
Increase/(decrease) in insurance and other payables		**19.0**	(5.7)
Decrease in other creditors		**(162.7)**	(44.3)
Interest received		**314.5**	364.3
Interest paid		**(107.7)**	(139.1)
Taxation paid		**(60.6)**	(14.9)
Net cash inflow from operating activities		**947.6**	272.7
Cash flows from investing activities			
Additions to internally generated intangible assets	14	**(0.1)**	(3.3)
Acquisition of property and equipment	15	**(2.3)**	(1.4)
Net cash outflow from investing activities		**(2.4)**	(4.7)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	21	**0.3**	73.8
Proceeds from issue of Tier 1 notes (net of costs)	22	**–**	292.7
Increase in borrowings (net of costs)	25	**110.6**	83.9
Dividends paid	13	**(0.1)**	(0.2)
Coupon paid on Tier 1 notes	13	**(28.1)**	(16.8)
Interest paid on borrowings		**(49.8)**	(43.7)
Payment of lease liabilities – principal	26	**(4.1)**	(2.8)
Payment of lease liabilities – interest	26	**(0.2)**	(0.3)
Net cash inflow from financing activities		**28.6**	386.6
Net increase in cash and cash equivalents		**973.8**	654.6
Cash and cash equivalents at 1 January		**1,651.0**	996.4
Cash and cash equivalents at 31 December		**2,624.8**	1,651.0
Cash available on demand		**1,496.3**	267.0
Units in liquidity funds		**1,128.5**	1,384.0
Cash and cash equivalents at 31 December	20	**2,624.8**	1,651.0

The notes are an integral part of these financial statements.

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

General information

Just Group plc (formerly JRP Group plc) (the "Company") was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares. The Company's registered office is Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2020 and 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. Auditors have reported on the statutory accounts for 2019 and will be reporting on the statutory accounts for 2020 in due course. The report of the auditor for the year ended 31 December 2020 is likely (i) to be unqualified, (ii) to not contain a statement under section 498 (2) or (3) of the Companies Act 2006, and (iii) by way of emphasis of matter, without qualifying their report, is likely to draw attention to the capital note which discloses the matters also covered in note 35 to this results announcement. The report of the auditor for the year ended 31 December 2019 was (i) unqualified, (ii) did not contain a 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, to the 2019 statutory accounts.

As part of their assessment of going concern, the Directors are required to undertake an assessment of the Company and 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have considered the following in their assessment:

- The benefit of £250m new Tier 2 capital raised during 2020, £75m of which was used to repurchase part of the Group's Tier 3 loan notes, via a tender offer.
- Steps taken over the last two years to improve capital efficiency, 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 and the sale of a portion of our lifetime mortgages portfolio to further protect against UK residential property risk; reductions in new business volumes; and cost saving initiatives.
- The projected liquidity position of the Company and 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 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 UK residential 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 40%, 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 November 2020, and in particular the forecast regulatory solvency position for the period to 31 December 2022 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 effective from 1 January 2020 that have an impact on the Group.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue are being assessed but have not yet been adopted by the Group:

- IFRS 9, Financial Instruments.

Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, allowed the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2021. This was intended to align with the effective date of IFRS 17, the replacement insurance contracts standard. In June 2020, the IASB issued a further amendment to IFRS 4 to extend the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023, to align with the amended effective date of IFRS 17 also issued in June 2020. The option to defer the application of IFRS 9, which the Group has continued to adopt for 2020, is subject to meeting criteria relating to the predominance of insurance activity. Eligibility for the deferral approach was based on an assessment of the Group's liabilities as at 31 December 2016, the end of the annual period during which the acquisition of Partnership Assurance Group plc took place and the most recent period of significant change in the magnitude of the Group's activities. At this date the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities. The Group's total liabilities were £22,283.9m and liabilities connected with insurance in the statement of financial position at this date primarily included insurance contracts within the scope of IFRS 4 of £15,748.0m, investment contract liabilities of £222.3m, and certain amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m.

If the Group had adopted IFRS 9 it would continue to classify financial assets at fair value through profit or loss. Therefore, under IFRS 9 all financial assets would continue to be recognised at fair value through profit or loss and the fair value at 31 December 2020 would be unchanged at £23,269.8m. As well as financial assets, the Group also holds Insurance and other receivables and Cash and cash equivalent assets, with contractual terms that give rise to cash flows on specified dates; the fair value of these investments is considered to be materially consistent with their carrying value, as disclosed in notes 19 and 20.

IFRS 9 information relating to non-insurance entities within the Group which have applied IFRS 9 can be found in the entities' publicly available individual financial statements.

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

IFRS 17 was issued in May 2017 with an effective date of 1 January 2021. In June 2020, the IASB issued an amended standard which delayed the effective date to 1 January 2023. The amendments issued in June 2020 aimed to assist entities implementing the standard.

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 features of the standard applicable to annuities is the deferment of premium revenues on the balance sheet and with revenue recognition in the profit or loss account 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.

- UK-adopted IFRS

As part of its exit from the European Union, the UK has been in a transition period up to 31 December 2020. From 1 January 2021, the Group is required to apply UK-adopted IFRS. In the short term, UK and EU-adopted IFRS are expected to be identical as all existing EU-adopted IFRS are brought into UK law and become UK-adopted IFRS as at 31 December 2020. Going forwards any changes to IFRS will be applied once adopted by the UK.

1.2 Significant accounting policies and the use of judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Consolidated statement of comprehensive income, Consolidated statement of financial position, other primary statements and Notes to the consolidated financial statements.

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

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	Classification of insurance and investment contracts	Assessment of significance of insurance risk transferred.
1.18	Financial investments	Classification of financial investments, including assessment of market observability of valuation inputs.
1.18	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	The use of a variant of the Black-Scholes option pricing formula with real world assumptions. The measurement of the no-negative equity guarantee underlying the fair value of loans secured by mortgages uses a variant of the Black-Scholes option pricing formula, which has been adapted to use real world assumptions instead of risk neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach. This approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ significantly from those estimates. Where relevant the impact of COVID-19 has been considered and detail included in the relevant note disclosures.

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

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
1.18, 17(a) and (d)	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, and the future costs of administering the loan portfolio. The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the risk-free curve and used to discount the mortgage cash flows. Further details can be found in note 17 under 'Loans secured by residential mortgages'.
1.19, 23, 27	Measurement of reinsurance assets and deposits received from reinsurers arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets include the projected future cash flows arising from reinsurers' share of the Group's insurance liabilities. The key assumptions used in the valuation include discount rates and mortality experience, as described below, and assumptions around the reinsurers' ability to meet its claim obligations. Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking account of an appropriate discount rate for the timing of the expected cash flows of the liabilities. For deposits received from reinsurers measured at fair value through profit or loss, the key assumption used in the valuation is the discount rate. For deposits received from reinsurers measured using insurance rules under IFRS 4, the key assumptions used in the valuation include discount rates and mortality experience.
1.22, 23(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance	The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of administering payments to policyholders. The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments, and level and inflation of costs of administration.

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
		The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Maintenance expenses are determined from expense analyses and are assumed to inflate at market-implied rates. Further detail can be found in note 23.

1.3 Consolidation principles

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

Subsidiaries are those investees over which the Group has control. The Group has control over an investee if all of the following are met: (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) it has the ability to use its power over the investee to affect its own returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group uses the acquisition method of accounting for business combinations. Under this method, the cost of acquisition is measured as the aggregate of the fair value of the consideration at date of acquisition and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred over the identifiable net assets acquired is recognised as goodwill. The Group uses the equity method to consolidate its investments in joint ventures and associates. Under the equity method of accounting the investment is initially recognised at fair value and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint ventures and associates.

1.4 Segments

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

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

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

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

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

- the writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life company (this is referred to as the insurance segment in note 7, Segmental reporting);
- the arranging of guaranteed income for life contracts and lifetime mortgages through regulated advice and intermediary services; and
- the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

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

The information on adjusted operating profit and profit before tax used by the CODM is presented on a combined product basis within the insurance operating segment and is not analysed further by product.

1.5 Foreign currencies

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

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

1.6 Classification of insurance and investment contracts

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

A contract is classified as insurance only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Capped Drawdown pension business and Flexible Pension Plan contracts are classified as investment contracts as there is no transfer of longevity risk due to the fixed term and unit-linked natures of these respective contracts.

1.7 Premium revenue

Premium revenue in respect of individual GIfL contracts is accounted for when the premiums are received, which coincides with when the liability to pay the GIfL contract is established.

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

Premium revenue in respect of Care Plans and Protection policies is recognised in the accounting period in which the insurance contract commences.

Facilitated adviser charges are not accounted for within premium revenue, and do not represent a charge on the Group.

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

Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due for payment under the terms of the contract. Reinsurance premiums previously incurred can be recaptured under certain conditions, notably once reinsurance financing for an underwriting year is fully repaid.

1.8 Net investment income

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

Interest income is recognised as it accrues.

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

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

1.9 Revenue from contracts with customers

The Group recognises revenue from contracts with customers in accordance with IFRS 15, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided. Revenue from contracts with customers comprises fee income on initial advances made on loans secured by residential mortgages, investment management fees, administration fees, software licensing fees and commission.

1.10 Claims paid

Policyholder benefits are accounted for when due for payment. Reinsurance paid claim recoveries are accounted for in the same period as the related claim.

Death claims are accounted for when notified.

1.11 Acquisition costs

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

1.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration.

Where the Group is a lessee, a right-of-use asset and a lease liability are recognised at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group generally uses its incremental borrowing rate as the discount rate.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Group presents its right-of-use assets in "Property, plant and equipment" in the Consolidated statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Where the Group is a lessor, which is the case when it sub-lets leased properties to a third party, the leases are classified as finance leases because substantially all the risks and rewards of ownership of the underlying assets are transferred to the third party. The right-of-use asset is derecognised and a lease receivable from the third party is recognised. Income from the sublease and interest on the original lease are recognised in the Consolidated statement of comprehensive income.

1.13 Finance costs

Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred. Interest on reinsurance financing is accrued in accordance with the terms of the financing arrangements.

Interest on loans and borrowings is accrued in accordance with the terms of the loan agreement. Loan issue costs are capitalised and amortised on a straight-line basis over the term of the loan issued. Interest expense is calculated using the effective interest rate method.

1.14 Employee benefits

Defined contribution plans

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

Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date, determined using stochastic and scenario-based modelling techniques where appropriate. The fair value is expensed in the Consolidated statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding credit to equity, based on the Group's estimate of the equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments that will eventually vest as a result of changes in non-market-based vesting conditions, and recognises the impact of the revision of original estimates in the Consolidated statement of comprehensive income over the remaining vesting period, with a corresponding adjustment to equity. Where a leaver is entitled to their scheme benefits, this is treated as an acceleration of the vesting in the period they leave. Where a scheme is modified before it vests, any change in fair value as a result of the modification is recognised over the remaining vesting period. Where a scheme is cancelled, this is treated as an acceleration in the period of the vesting of all remaining options.

1.15 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted-average number of ordinary shares outstanding during the year. The calculation of the weighted-average number of ordinary shares excludes ordinary shares held in trusts on behalf of employee share schemes.

For diluted earnings per share, the weighted-average number of ordinary shares outstanding during the year, excluding ordinary shares held in trusts on behalf of employee share schemes, is adjusted to assume conversion of potential ordinary shares, such as share options granted to employees, if their conversion would dilute earnings per share.

1.16 Intangible assets

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

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

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

Other intangible assets are recognised if it is probable that the relevant future economic benefits attributable to the asset will flow to the Group, and are measured at cost less accumulated amortisation and any impairments.

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

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

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

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives, which range from two to 16 years. The useful lives are determined by considering relevant factors, such as usage of the asset, potential obsolescence, competitive position and stability of the industry.

For intangible assets with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

The significant intangible assets recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Estimated useful economic life	Valuation method
PVIF	Up to 16 years	Estimated value in-force using European embedded value model
Brand	2 – 5 years	Estimated royalty stream if the rights were to be licensed
Distribution network	3 years	Estimated discounted cash flow
Software	2 – 3 years	Estimated replacement cost
Intellectual property	12 – 15 years	Estimated replacement cost

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

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

1.17 Property, plant and equipment

Land and buildings are measured at their revalued amounts less subsequent depreciation, and impairment losses are recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of the revalued asset does not differ materially from its carrying value.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

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

Equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write down the cost to residual value over the estimated useful lives as follows:

Plant and equipment	Estimated useful economic life
Computer equipment	3 – 4 years
Furniture and fittings	2 – 10 years

1.18 Financial investments

Classification

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

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. Amounts payable or receivable on unsettled purchases or sales are recognised in other payables or other receivables respectively. Transaction costs are expensed through profit or loss.

Loans secured by residential mortgages are recognised when cash is advanced to borrowers.

The Group receives and pledges collateral in the form of cash or securities in respect of derivative, reinsurance or other contracts such as securities lending. Collateral received is recognised as an asset in the Consolidated statement of financial position with a corresponding liability for the repayment in other financial liabilities and collateral pledged is recognised in the Consolidated statement of financial position within the appropriate asset classification when the collateral is controlled by the Group and receives the economic benefit.

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

The Group's policy is to derecognise financial investments when it is deemed that substantially all the risks and rewards of ownership have been transferred.

Use of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. If there is no active established market for an investment, the Group applies an appropriate valuation technique such as discounted cash flow analysis, or option pricing models for derivatives.

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

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

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

The financial investments measured at fair value are classified into the following three-level hierarchy on the basis of the lowest level of inputs that are significant to the fair value measurement of the financial investment concerned:

Level 1: Quoted price (unadjusted) in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly (i.e. derived from prices); and

Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1.19 Reinsurance

Reinsurance assets

Amounts recoverable from reinsurers are measured in a consistent manner with insurance liabilities or relevant financial liabilities and are classified as reinsurance assets. If a reinsurance asset is impaired, the carrying value is reduced accordingly and that impairment loss is recognised in the Consolidated statement of comprehensive income.

Financial liabilities

Where reinsurance contracts entered into by the Group are structured to provide financing, with financing components to be repaid in future years, such amounts are classified as "reinsurance finance" and included in other financial liabilities in the Consolidated statement of financial position.

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

All other deposits received from reinsurers are valued in accordance with the terms of the reinsurance contracts under IFRS 4, which take into account an appropriate discount rate for the timing of expected cash flows. It should be noted that the reinsurance recoverable amount is set equal to the value of the deposit in line with the financing nature of this reinsurance and anticipating that underwriting years will eventually be recaptured. See note 29 for further information on reinsurance recaptures.

Amounts receivable/payable

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

1.20 Cash and cash equivalents

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

1.21 Equity

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

Interim dividends are recognised in equity in the year in which they are paid. Final dividends are recognised when they have been approved by shareholders.

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

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

1.22 Insurance liabilities

Measurement

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

Liability adequacy test

The Group performs adequacy testing on its insurance liabilities to ensure the carrying amount is sufficient to cover the current estimate of future cash flows. Any deficiency is immediately charged to the Consolidated statement of comprehensive income.

1.23 Investment contract liabilities

Investment contracts are measured at fair value through profit or loss in accordance with IAS 39. The fair value of investment contracts is estimated using an internal model and determined on a policy-by-policy basis using a prospective valuation of future Retirement Income benefit and expense cash flows.

1.24 Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs, and subsequently amortised through profit or loss over the period to maturity at the effective rate of interest required to recognise the discounted estimated cash flows to maturity.

1.25 Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recorded as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure.

1.26 Taxation

The current tax expense is based on the taxable profits for the year, using tax rates substantively enacted at the Consolidated statement of financial position date, and after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

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

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

2 PRIOR YEAR RESTATEMENT

A reclassification has been made regarding the presentation of the Group's longevity reinsurance swaps at 31 December 2019 and 1 January 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 1 January 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 1 January 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 (1 January 2019: increase to reinsurance assets of £111.6m and increase to reinsurance liabilities of the same amount, no impact to total equity or to comprehensive income).

3 NET INVESTMENT INCOME

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Interest income:		
Assets at fair value through profit or loss	**631.7**	663.0
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	**818.3**	658.8
Derivative financial instruments (note 28)	**327.7**	129.9
Total net investment income	**1,777.7**	1,451.7

4 ACQUISITION COSTS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Commission	**14.9**	14.8
Other acquisition expenses	**29.6**	20.4
Total acquisition costs	**44.5**	35.2

5 OTHER OPERATING EXPENSES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Personnel costs (note 10)	**107.5**	108.0
Investment expenses and charges	**17.5**	13.9
Depreciation of property, plant and equipment	**3.9**	4.5
Amortisation of intangible assets	**19.9**	19.9
Impairment of property, plant and equipment	**–**	4.0
Impairment of intangible assets	**1.1**	–
Other costs	**70.0**	77.5
Total other operating expenses	**219.9**	227.8

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

Reconciliation of Other operating expenses to Management expenses

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Total other operating expenses	**219.9**	227.8
Investment expenses and charges	**(17.5)**	(13.9)
Reassurance management fees	**(22.2)**	(26.1)
Amortisation of acquired intangible assets	**(18.0)**	(18.8)
Other costs	**(2.9)**	–
Total management expenses	**159.3**	169.0

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Fees payable for the audit of the Parent Company and consolidated accounts	**540**	250
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1,618**	950
Corporate finance services	**-**	95
Audit-related assurance services	**842**	710
Other assurance services	**65**	218
Other non-audit services not covered above	**1**	–
Auditor remuneration	**3,066**	2,223
Fees payable to other audit firms:		
The audit of the Company's subsidiaries pursuant to legislation	**60**	–
Corporate finance services	**146**	–
Total	**3,272**	2,223

Audit-related assurance services mainly include fees relating to the audit of the Group's Solvency II regulatory returns. Other assurance services mainly include fees relating to review procedures in relation to the Group's interim results. Corporate finance services relate to due diligence and reporting accountant services. The fees payable to other audit firms during 2020 noted above relate to £60,000 paid to KPMG in relation to the 2020 audit of the Group's South African subsidiaries and £146,000 paid to KPMG in relation to corporate finance services carried out during 2019.

6 FINANCE COSTS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Interest payable on deposits received from reinsurers	**107.7**	139.0
Interest payable on subordinated debt	**47.3**	44.0
Other interest payable	**4.0**	3.7
Total finance costs	**159.0**	186.7

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

7 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 year and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on 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 Plans 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

	Year ended 31 December 2020			Year ended 31 December 2019		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**199.2**	**–**	**199.2**	182.0	–	182.0
In-force operating profit	**96.8**	**1.0**	**97.8**	82.6	1.8	84.4
Underlying operating profit	**296.0**	**1.0**	**297.0**	264.6	1.8	266.4
Operating experience and assumption changes	**46.2**	**–**	**46.2**	42.2	–	42.2
Other Group companies' operating results	**–**	**(17.1)**	**(17.1)**	–	(13.1)	(13.1)
Development expenditure	**(5.9)**	**(1.4)**	**(7.3)**	(7.1)	(3.2)	(10.3)
Reinsurance and financing costs	**(79.5)**	**–**	**(79.5)**	(61.5)	(5.1)	(66.6)
Adjusted operating profit before tax	**256.8**	**(17.5)**	**239.3**	238.2	(19.6)	218.6
Non-recurring and project expenditure	**(7.1)**	**(5.6)**	**(12.7)**	(3.8)	(4.5)	(8.3)
Implementation of cost saving initiatives	**(7.8)**	**(0.7)**	**(8.5)**	(13.3)	(0.2)	(13.5)
Investment and economic profits/(losses)	**9.4**	**(0.9)**	**8.5**	173.7	0.1	173.8
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28.1**	**–**	**28.1**	14.0	2.8	16.8
Profit/(loss) before amortisation costs and tax	**279.4**	**(24.7)**	**254.7**	408.8	(21.4)	387.4
Amortisation costs			**(18.0)**			(18.8)
Profit/(loss) before tax			**236.7**			368.6

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £1,777.6m arose from the insurance segment and £0.1m arose from other segments (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:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Defined Benefit De-risking Solutions ("DB")	**1,507.9**	1,231.3
Guaranteed Income for Life contracts ("GIfL")	**585.9**	615.7
Care Plans ("CP")	**51.5**	71.1
Protection	**2.5**	2.9
Gross premiums written	**2,147.8**	1,921.0

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Drawdown deposits and other investment products	**1.0**	26.7
LTM loans advanced	**511.7**	415.8

Reconciliation of gross premiums written to Retirement Income sales

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Gross premiums written	**2,147.8**	1,921.0
Protection sales not included in Retirement Income sales	**(2.5)**	(2.9)
Retirement Income sales	**2,145.3**	1,918.1

Disaggregation of fees and other income

	Year ended 31 December 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	**–**	**2.1**	**2.1**	–	1.7	1.7
GIfL commission	**–**	**4.5**	**4.5**	–	4.4	4.4
FPP fees	**–**	**–**	**–**	0.7	0.2	0.9
DB fees	**–**	**–**	**–**	0.6	–	0.6
Other	**2.3**	**2.8**	**5.1**	0.5	4.4	4.9
	2.3	**9.4**	**11.7**	2.0	10.7	12.7
Timing of revenue recognition						
Products transferred at point in time	**2.3**	**9.0**	**11.3**	1.3	10.3	11.6
Products and services transferred over time	**–**	**0.4**	**0.4**	0.7	0.4	1.1
Revenue from contracts with customers	**2.3**	**9.4**	**11.7**	2.0	10.7	12.7

All revenue from contracts with customers is from the UK.

8 INCOME TAX

Income tax recognised in profit or loss

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Current taxation		
Current year	**46.6**	67.9
Adjustments in respect of prior periods	**1.0**	(2.9)
Total current tax	**47.6**	65.0
Deferred taxation		
Origination and reversal of temporary differences	**(4.0)**	1.8
Adjustments in respect of prior periods	**(0.9)**	(0.5)
Rate change	**1.5**	(0.1)
Total deferred tax	**(3.4)**	1.2
Total income tax recognised in profit or loss	**44.2**	66.2

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

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 £1.5m. On 3 March 2021, the Government announced an increase in the rate of corporation tax rate to 25% from 1 April 2023. The change in rate has yet to be substantively enacted, and the impact of the rate change will not be material for the financial statements.

The deferred tax assets and liabilities at 31 December 2020 have been calculated based on the rate at which they are expected to reverse.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit/(loss) on ordinary activities before tax	**236.7**	368.6
Income tax at 19% (2019: 19%)	**45.0**	70.0
Effects of:		
Expenses not deductible for tax purposes	**2.0**	1.1
Rate change	**1.5**	(0.2)
Higher rate for overseas income	**(0.1)**	(0.3)
Unrecognised deferred tax asset	**1.3**	1.8
Adjustments in respect of prior periods	**0.1**	(3.4)
Relief on Tier 1 interest included in equity	**(5.3)**	(3.2)
Other	**(0.3)**	0.4
Total income tax recognised in profit or loss	**44.2**	66.2

Income tax recognised in other comprehensive income

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Deferred taxation		
Revaluation of land and buildings	**(0.1)**	–
Total deferred tax	**(0.1)**	–
Total income tax recognised in other comprehensive income	**(0.1)**	–

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. Since 1 January 2013, life insurance tax has been based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime. Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus which are not excluded items for taxation, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten year period from 1 January 2013. Similarly, the resulting cumulative transitional adjustments for tax purposes in adoption of IFRS will be amortised on a straight-line basis over a ten year period from 1 January 2016. The tax charge for the year to 31 December 2020 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2019: £2.5m).

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

9 REMUNERATION OF DIRECTORS

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £3.6m (2019: £2.7m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2019: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.2m (2019: £1.1m). The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. Two Directors exercised share options during the year with an aggregate gain of £0.3m (2019: two Directors exercised options with an aggregate gain of £0.3m).

10 STAFF NUMBERS AND COSTS

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

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Directors	**9**	7
Senior management	**119**	118
Staff	**949**	955
Average number of staff	**1,077**	1,080

The aggregate personnel costs were as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Wages and salaries	**87.2**	89.7
Social security costs	**9.2**	8.9
Other pension costs	**4.3**	4.2
Share-based payment expense	**6.8**	5.2
Total personnel costs	**107.5**	108.0

The Company does not have any employees.

11 EMPLOYEE BENEFITS

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £4.3m (2019: £4.2m).

Employee share plans

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

Share options

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

The Group has made awards under the LTIP to Executive Directors and other senior managers. Awards are made in the form of nil-cost options which become exercisable on the third anniversary of the grant date, subject to the satisfaction of service and performance conditions set out in the Directors' Remuneration Report. Options are exercisable until the tenth anniversary of the grant date. Options granted since 2018 are subject to a two year holding period after the options have been exercised.

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2020 Number of Options	Year ended 31 December 2019 Number of options
Outstanding at 1 January	**15,196,343**	17,595,308
Granted	**8,951,149**	4,755,178
Forfeited	**(941,906)**	(2,402,172)
Exercised	**(2,261,267)**	(2,567,282)
Expired	**(1,679,813)**	(2,184,689)
Outstanding at 31 December	**19,264,506**	15,196,343
Exercisable at 31 December	**3,119,248**	3,255,678
Weighted-average share price at exercise (£)	**0.57**	0.54
Weighted-average remaining contractual life (years)	**1.36**	1.15

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

During the year to 31 December 2020, awards of LTIPs were made on 23 March 2020. In addition, one-off awards with similar features to LTIPs were made on 20 March 2020 to the incoming Group Chief Financial Officer to compensate him for incentive awards forfeited on leaving his previous employer. The weighted-average fair value and assumptions used to determine the fair value of the LTIPs and the buy-out options granted during the year are as follows:

Fair value at grant date	**£0.39**
Option pricing models used	**Black-Scholes, Stochastic, Finnerty**
Share price at grant date	**£0.44**
Exercise price	**Nil**
Expected volatility – TSR performance	**53.20-62.82%**
Expected volatility – holding period	**60.44%**
Option life	**2-3 years + 2 year holding period**
Dividends	**Nil**
Risk-free interest rate – TSR performance	**0.05-0.11%**
Risk-free interest rate – holding period	**0.17%**

A Black-Scholes option pricing model is used where vesting is related to an earnings per share target, a Stochastic model is used where vesting is related to a total shareholder return target, and a Finnerty model is used to model the holding period.

Deferred share bonus plan ("DSBP")

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

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2020 Number of options	Year ended 31 December 2019 Number of options
Outstanding at 1 January	**4,287,693**	3,864,558
Granted	**1,882,472**	1,635,528
Forfeited	**(15,004)**	(503,412)
Exercised	**(1,060,240)**	(708,981)
Outstanding at 31 December	**5,094,921**	4,287,693
Exercisable at 31 December	**1,716,596**	1,656,365
Weighted-average share price at exercise (£)	**0.54**	0.60
Weighted-average remaining contractual life (years)	**1.10**	0.94

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

During the year to 31 December 2020, awards of DSBPs were made on 23 March 2020. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the DSBP are as follows:

Fair value at grant date	**£0.44**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£0.44**
Exercise price	**Nil**
Expected volatility	**Nil**
Option life	**3 years**
Dividends	**Nil**
Risk-free interest rate	**Nil**

Save As You Earn ("SAYE") scheme

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

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	Number of options	**Weighted-average exercise Price £**	Number of options	Weighted-average exercise price £
Outstanding at 1 January	**9,953,188**	**0.56**	4,556,383	1.12
Granted	**13,031,462**	**0.38**	10,313,555	0.52
Forfeited	**(603,970)**	**0.57**	(366,991)	0.74
Cancelled	**(6,609,575)**	**0.54**	(4,146,082)	0.99
Exercised	**(46,892)**	**0.52**	–	–
Expired	**(208,210)**	**1.03**	(403,677)	1.20
Outstanding at 31 December	**15,516,003**	**0.41**	9,953,188	0.56
Exercisable at 31 December	**58,930**	**0.46**	189,815	0.73
Weighted-average share price at exercise		**0.60**		–
Weighted-average remaining contractual life (years)		**2.56**		2.61

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

	2020 Number of options outstanding	2019 Number of options outstanding
£0.38	**12,476,881**	–
£0.52	**2,870,402**	9,242,042
£1.07	**66,166**	387,498
£1.13	**–**	36,135
£1.18	**102,554**	268,604
£1.27	**–**	12,791
£1.47	**–**	6,118
Total	**15,516,003**	9,953,188

During the year to 31 December 2020, awards of SAYEs were made on 22 April 2020. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the SAYE are as follows:

Fair value at grant date	**£0.25**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£0.55**
Exercise price	**£0.38**
Expected volatility – 3 year scheme	**51.70%**
Expected volatility – 5 year scheme	**37.48%**
Option life	**3.36 or 5.36 years**
Dividends	**Nil**
Risk-free interest rate – 3 year scheme	**0.10%**
Risk-free interest rate – 5 year scheme	**0.16%**
Saving forfeit discounts	**5%**

Share-based payment expense

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Equity-settled schemes	**6.8**	5.2
Total expense	**6.8**	5.2

12 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 year. The weighted-average number of ordinary shares excludes shares held by the Employee Benefit Trust on behalf of the Company to satisfy future exercises of employee share scheme awards.

	Year ended 31 December 2020			Year ended 31 December 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	**193.6**			302.6		
Coupon payments in respect of Tier 1 notes (net of tax)	**(28.1)**			(16.8)		
Profit attributable to ordinary equity holders of Just Group plc (basic)	**165.5**	**1,030.7**	**16.06**	285.8	1,007.5	28.37
Effect of potentially dilutive share options	**–**	**11.1**	**(0.17)**	–	13.1	(0.37)
Diluted	**165.5**	**1,041.8**	**15.89**	285.8	1,020.6	28.00

13 DIVIDENDS

Dividends paid in the year were as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Dividends paid on the vesting of employee share schemes	**0.1**	0.2
Total dividends paid	**0.1**	0.2
Coupon payments in respect of Tier 1 notes[1]	**28.1**	16.8
Total distributions to equity holders in the period	**28.2**	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.

The Board considers that it is not appropriate to recommend paying a dividend for 2020 (2019: nil).

14 INTANGIBLE ASSETS

Year ended 31 December 2020	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	PrognoSys™ and other intellectual property £m	Software £m	Leases £m	Total £m
Cost								
At 1 January 2020	**34.9**	**200.0**	**26.6**	**5.6**	**7.9**	**29.4**	**2.0**	**306.4**
Additions	–	–	–	–	–	**0.1**	–	**0.1**
At 31 December 2020	**34.9**	**200.0**	**26.6**	**5.6**	**7.9**	**29.5**	**2.0**	**306.5**
Amortisation and impairment								
At 1 January 2020	**(0.8)**	**(89.7)**	**(26.6)**	**(5.6)**	**(2.6)**	**(24.7)**	**(2.0)**	**(152.0)**
Impairment	–	–	–	–	–	**(1.1)**	–	**(1.1)**
Charge for the year	–	**(17.9)**	–	–	**(0.6)**	**(1.4)**	–	**(19.9)**
At 31 December 2020	**(0.8)**	**(107.6)**	**(26.6)**	**(5.6)**	**(3.2)**	**(27.2)**	**(2.0)**	**(173.0)**
Net book value at 31 December 2020	**34.1**	**92.4**	–	–	**4.7**	**2.3**	–	**133.5**
Net book value at 31 December 2019	**34.1**	**110.3**	–	–	**5.3**	**4.7**	–	**154.4**

Year ended 31 December 2019	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	PrognoSys™ and other intellectual property £m	Software £m	Leases £m	Total £m
Cost								
At 1 January 2019	34.9	200.0	26.6	5.6	7.9	26.1	2.0	303.1
Additions	–	–	–	–	–	3.3	–	3.3
At 31 December 2019	34.9	200.0	26.6	5.6	7.9	29.4	2.0	306.4
Amortisation and impairment								
At 1 January 2019	(0.8)	(71.9)	(25.7)	(5.6)	(2.0)	(24.1)	(2.0)	(132.1)
Charge for the year	–	(17.8)	(0.9)	–	(0.6)	(0.6)	–	(19.9)
At 31 December 2019	(0.8)	(89.7)	(26.6)	(5.6)	(2.6)	(24.7)	(2.0)	(152.0)
Net book value at 31 December 2019	34.1	110.3	–	–	5.3	4.7	–	154.4
Net book value at 31 December 2018	34.1	128.1	0.9	–	5.9	2.0	–	171.0

Amortisation and impairment charge

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

Impairment testing

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

The Group's goodwill of £34.1m at 31 December 2020 represents £1.0m recognised on the 2018 acquisition of Corinthian Group Limited, £0.3m recognised on the 2016 acquisition of the Partnership Assurance Group and £32.8m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited ("JRL").

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

	2020	2019
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**11.7%**	10.3%

The value-in-use of the insurance operating segment is considered by reference to latest business plans over the next five years, which reflect management's best estimate of future cash flows based on historical experience, expected growth rates and assumptions around market share, customer numbers, expense inflation and mortality rates. The discount rate was determined using a weighted average cost of capital approach, adjusted for specific risks attributable to the business. The outcome of the impairment assessment is that the goodwill in respect of the insurance operating segment is not impaired and that the value-in-use is higher than the carrying value of goodwill.

Any reasonably possible changes in assumption will not cause the carrying value of the goodwill to exceed the recoverable amounts.

15 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2020	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2020	**17.9**	**7.7**	**6.2**	**11.9**	**43.7**
Acquired during the year	–	2.2	0.1	–	2.3
Revaluations	(3.6)	–	–	–	(3.6)
Disposal cost	–	–	–	(5.8)	(5.8)
At 31 December 2020	**14.3**	**9.9**	**6.3**	**6.1**	**36.6**
Depreciation and impairment					
At 1 January 2020	(0.7)	(6.2)	(5.7)	(4.3)	(16.9)
Eliminated on revaluation	1.2	–	–	–	1.2
Disposal	–	–	–	3.5	3.5
Depreciation charge for the year	(0.6)	(1.0)	(0.2)	(2.1)	(3.9)
At 31 December 2020	**(0.1)**	**(7.2)**	**(5.9)**	**(2.9)**	**(16.1)**
Net book value at 31 December 2020	**14.2**	**2.7**	**0.4**	**3.2**	**20.5**
Net book value at 31 December 2019	17.2	1.5	0.5	7.6	26.8

Year ended 31 December 2019	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2019	17.9	6.8	5.7	–	30.4
Recognition of right-of-use assets on initial application of IFRS 16	–	–	–	9.6	9.6
Adjusted balance at 1 January 2019	17.9	6.8	5.7	9.6	40.0
Acquired during the year	–	0.9	0.5	5.7	7.1
Disposal cost	–	–	–	(3.4)	(3.4)
At 31 December 2019	17.9	7.7	6.2	11.9	43.7
Depreciation					
At 1 January 2019	(0.1)	(5.6)	(3.3)	–	(9.0)
Disposal	–	–	–	0.6	0.6
Impairment	–	–	(1.9)	(2.1)	(4.0)
Depreciation charge for the year	(0.6)	(0.6)	(0.5)	(2.8)	(4.5)
At 31 December 2019	(0.7)	(6.2)	(5.7)	(4.3)	(16.9)
Net book value at 31 December 2019	17.2	1.5	0.5	7.6	26.8
Net book value at 31 December 2018	17.8	1.2	2.4	–	21.4

Included in freehold land and buildings is land of value £4.0m (2019: £4.4m).

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 5 October 2020 were performed by Hurst Warne & Partners Surveyors Ltd, independent valuers not related to the Company. Hurst Warne & Partners Surveyors Ltd is registered for regulation by the Royal Institution of Chartered Surveyors ("RICS"). The valuation process relies on expert judgement which is heightened due to the macroeconomic related COVID-19 uncertainty. The valuer has sufficient current local knowledge of the particular market, and the knowledge, skills and understanding to undertake the valuation competently. The fair value of the freehold land was undertaken using a residual valuation assuming a new build office on each site to an exact equivalent size as currently and disregarding the possibility of developing any alternative uses or possible enhancements. The fair value of the buildings was determined based on open market comparable evidence of market rent. The fair value measurement of revalued land and buildings has been categorised as Level 3 within the fair value hierarchy based on the non-observable inputs to the valuation technique used.

Revaluations during 2020 comprise a loss of £1.2m recognised in profit or loss, a loss of £1.2m recognised in other comprehensive income (gross of tax of £0.1m) partially reversing previously recognised gains of £5.3m (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.2m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £4.3m (2019: £4.3m) and buildings of £10.2m (2019: £10.6m).

Right-of-use assets are property assets leased by the Group (see note 26). Impairments arising in the prior year relate to onerous property leases resulting from the Group's rationalisation of its office locations.

16 FINANCIAL INVESTMENTS

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

	Fair value		Cost	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Units in liquidity funds	**1,128.5**	1,384.0	**1,128.5**	1,384.0
Investment funds	**176.1**	137.3	**175.2**	137.2
Debt securities and other fixed income securities	**11,061.4**	10,387.8	**10,001.9**	9,696.8
Deposits with credit institutions	**99.7**	104.6	**99.7**	104.6
Derivative financial assets	**800.0**	237.0	**–**	–
Loans secured by residential mortgages	**8,261.1**	7,980.5	**4,535.7**	4,778.3
Loans secured by commercial mortgages	**707.0**	494.5	**680.1**	477.8
Other loans	**1,036.0**	880.3	**885.5**	795.0
Total	**23,269.8**	21,606.0	**17,506.6**	17,373.7

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 £97.8m (2019: £103.1m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

17 FAIR VALUE

(a) Determination of fair value and fair value hierarchy

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

In determining the assessment of the fair value hierarchy at 31 December 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 31 December 2020 as a result of considering the impacts from COVID-19.

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 31 December 2020 (2019: nil).

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

	2020				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	**1,123.2**	**5.3**	**–**	**1,128.5**	1,378.0	6.0	–	1,384.0
Investment funds	**–**	**37.1**	**139.0**	**176.1**	–	25.5	111.8	137.3
Debt securities and other fixed income securities	**809.3**	**8,995.3**	**1,256.8**	**11,061.4**	984.5	8,674.1	729.2	10,387.8
Deposits with credit institutions	**97.7**	**2.0**	**–**	**99.7**	103.1	1.5	–	104.6
Derivative financial assets	**–**	**796.4**	**3.6**	**800.0**	–	233.0	4.0	237.0
Loans secured by residential mortgages	**–**	**–**	**8,261.1**	**8,261.1**	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	**–**	**–**	**707.0**	**707.0**	–	–	494.5	494.5
Other loans	**13.1**	**11.8**	**1,011.1**	**1,036.0**	4.1	40.3	835.9	880.3
Total	**2,043.3**	**9,847.9**	**11,378.6**	**23,269.8**	2,469.7	8,980.4	10,155.9	21,606.0
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**42.8**	**42.8**	–	–	54.0	54.0
Derivative financial liabilities	**–**	**509.4**	**3.3**	**512.7**	–	248.4	–	248.4
Obligations for repayment of cash collateral received	**351.3**	**26.1**	**–**	**377.4**	62.8	–	–	62.8
Deposits received from reinsurers	**–**	**–**	**2,415.0**	**2,415.0**	–	–	2,417.7	2,417.7
Other financial liabilities								
Loans and borrowings at amortised cost	**–**	**802.0**	**–**	**802.0**	–	690.2	–	690.2
Total	**351.3**	**1,337.5**	**2,461.1**	**4,149.9**	62.8	938.6	2,471.7	3,473.1

(c) Transfers between levels

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

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

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

Year ended 31 December 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[2] £m**	**Investment contract liabilities £m**	**Derivative financial liabilities £m**	**Deposits received from reinsurers £m**
At 1 January 2020	**111.8**	**729.2**	**4.0**	**7,980.5**	**494.5**	**835.9**	**(54.0)**	**–**	**(2,417.7)**
Purchases/advances/ deposits	**27.1**	**418.9**	**–**	**511.7**	**211.1**	**173.0**	**(1.0)**	**5.0**	**(1.4)**
Transfers from Level 2	**–**	**62.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales/redemptions/ payments	**–**	**(29.4)**	**–**	**(380.9)**	**(8.7)**	**(68.2)**	**14.0**	**–**	**212.2**
Disposal of a portfolio of LTMs[1]	**–**	**–**	**–**	**(600.8)**	**–**	**–**	**–**	**–**	**–**
Realised gains and losses recognised in profit or loss within net investment income	**(0.2)**	**(0.2)**	**–**	**111.6**	**–**	**–**	**–**	**–**	**–**
Unrealised gains and losses recognised in profit or loss within net investment income	**0.3**	**80.6**	**(0.4)**	**356.3**	**9.3**	**69.1**	**–**	**(8.3)**	**(125.3)**
Interest accrued	**–**	**(4.5)**	**–**	**282.7**	**0.8**	**1.3**	**–**	**–**	**(82.8)**
Change in fair value of liabilities recognised in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**(1.8)**	**–**	**–**
At 31 December 2020	**139.0**	**1,256.8**	**3.6**	**8,261.1**	**707.0**	**1,011.1**	**(42.8)**	**(3.3)**	**(2,415.0)**

1 In December 2020 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £600.8m. The transaction is part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

2 Includes £945.0m of infrastructure loans (2019: £787.3m)

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 1 January 2019	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 31 December 2019	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 charge of £33m.

For Level 1 and Level 2 assets measured at fair value, unrealised gains during the year were gains of £23.2m and £241.1m respectively (2019: gains 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% (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 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:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2020	**(4.9)**
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 31 December 2020. Due to the nature of these assets and the sectors in which they operate, being primarily utilities and universities sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 31 December 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
2020	**(109.2)**
2019	(52.5)

Derivative financial assets and liabilities

Derivative financial assets and liabilities classified as Level 3 are the put options on property index (also referred to as 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 and liabilities classified as Level 3

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets and liabilities. 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 31 December 2020. Details of the matters considered in relation to property assumptions at 31 December 2020 are noted in the section on Loans secured by residential mortgages further below. The impact on derivative financial assets and liabilities from changes to property assumptions are noted in the sensitivity analysis below.

Sensitivity analysis

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

net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
Derivative financial assets				
2020	**(6.5)**	**24.0**	**24.1**	**10.2**
2019	(1.9)	5.9	6.4	2.2
Derivative financial liabilities				
2020	**(1.8)**	**6.3**	**6.8**	**2.8**
2019	n/a	n/a	n/a	n/a

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 regard to the calculation approach used. We have used the Black 76 variant of the Black-Scholes option pricing model in conjunction with an approach using best estimate future house price growth assumptions. There has been significant academic and market debate concerning the valuation of no-negative equity guarantees in recent years, including proposals to use risk-free based methods rather than best estimate assumptions to project future house price growth. We continue to actively monitor this debate. In the absence of any widely supported alternative approach, we have continued in line with the common industry practice to value no-negative equity guarantees using best estimate assumptions.

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

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The sale of the portfolio of LTMs represents a single market price but this is insufficient to affect the judgement of the appropriateness of the methodology and assumptions used by the cash flow approach for individual loans.

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the items set out below. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determines the yield on this asset. This yield is used for the purpose of setting valuation discount rates on the liabilities supported, as described in note 23(b).

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.6% (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 base table rates and improvements for years up to 2019 and CMI 2019 for mortality improvements for calendar year 2020 onwards (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 31 December 2020 save for the change in underlying reference tables to CMI 2019. Further details of the matters considered in relation to mortality assumptions at 31 December 2020 are set out in note 23(b).

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 quarters 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 COVID-19, the publication of these indices was temporarily suspended in the early part of 2020. However, this was resumed in the second half of 2020 such that the approach in place at 31 December 2020 is unchanged from previous periods.

In addition, the Group applies adjustments to allow for potential underperformance of individual properties relative to the indexed valuation.

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

Future property prices

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK consumer price inflation, "CPI", plus an allowance for the expectation of house price growth above CPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.3% (2019: 3.8%), with a volatility assumption of 13% per annum (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. 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. However, in light of the additional short-term uncertainty introduced and having considered the available benchmarking data available over 2020, the Group has reduced its future house price growth assumption by 0.5% at 31 December 2020 compared to previous periods. The property volatility assumption has been maintained at the same level as assumed at 31 December 2019. 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 in JRL (2019: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2019: 0.6% and 6.8%). No changes are assumed with regard to the COVID-19 experience.

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 2.87% (2019: 2.85%) and for loans held within PLACL is 3.20% (2019: 3.21%). The movement over the period observed in JRL is driven by new loan originations more than offsetting the sold portfolio, both 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%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
2020	**(5.9)**	**34.3**	**15.6**	**(136.1)**	**(103.7)**	**(64.5)**	**(13.2)**	**(93.1)**
2019	(6.6)	28.7	14.0	(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 23(e).

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

Loans secured by commercial mortgages

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

Principal assumption underlying the calculation of loans secured by commercial mortgages

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 31 December 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
2020	**(52.9)**
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. Due to the nature of these assets and the sectors in which they operate, being primarily local authorities, renewable energy generation and Housing Associations sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 31 December 2020.

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 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
2020	**(91.5)**
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

Valuation discount rates

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities. The discount rate used for the fixed term annuity product treated as investment business is 2.34% (2019: 3.01%).

Sensitivity analysis

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

Deposits received from reinsurers

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

Principal assumptions underlying the calculation of deposits received from reinsurers

Discount rate

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 2.21% and 0.06% respectively (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 205bps (2019: 181ps) 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 (see note 27 (b)). The Group has estimated the impact on fair value to changes to these inputs as follows:

Deposits received from reinsurers net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
2020	**(80.1)**	**(218.6)**
2019	(81.2)	(200.9)

18 DEFERRED TAX

	2020			2019		
	Asset £m	**Liability £m**	**Total £m**	Asset £m	Liability £m	Total £m
Transitional tax	**–**	**(4.2)**	**(4.2)**	–	(6.0)	(6.0)
Intangible assets	**–**	**(17.8)**	**(17.8)**	–	(19.0)	(19.0)
Land and buildings	**–**	**(0.8)**	**(0.8)**	–	(0.9)	(0.9)
Other provisions	**11.5**	**–**	**11.5**	11.5	(0.4)	11.1
Total deferred tax	**11.5**	**(22.8)**	**(11.3)**	11.5	(26.3)	(14.8)

The transitional tax liability of £4.2m (2019: £6.0m) represents the adjustment arising from the change in the tax rules for life insurance companies which is amortised over ten years from 1 January 2013 and the transitional adjustments for tax purposes in adopting IFRS which is amortised over ten years from 1 January 2016.

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

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Net balance at 1 January	**(14.8)**	(13.6)
Recognised in profit or loss	**3.4**	(1.2)
Recognised in other comprehensive income	**0.1**	–
Net balance at 31 December	**(11.3)**	(14.8)

The Group has unrecognised deferred tax assets of £5.3m (2019: £3.9m).

19 INSURANCE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Receivables arising from insurance and reinsurance contracts	**21.0**	11.1
Finance lease receivables	**3.8**	2.7
Other receivables	**7.2**	11.7
Total insurance and other receivables	**32.0**	25.5

Finance lease receivables are due as follows:

	2020 £m	2019 £m
Less than one year	**1.6**	0.8
Between one and two years	**1.6**	0.8
Between two and three years	**0.7**	0.8
Between three and four years	**–**	0.4
Total undiscounted lease payments receivable	**3.9**	2.8
Unearned finance income	**(0.1)**	(0.1)
Net investment in leases	**3.8**	2.7

Other than finance lease receivables, insurance and other receivables of £nil (2019: £nil) are expected to be recovered more than one year after the Consolidated statement of financial position date.

20 CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash available on demand	**1,496.3**	267.0
Units in liquidity funds	**1,128.5**	1,384.0
Cash and cash equivalents in the Consolidated statement of cash flows	**2,624.8**	1,651.0

21 SHARE CAPITAL

The allotted and issued ordinary share capital of the Group at 31 December 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**
Shares issued in respect of employee share schemes	**3,046,892**	**0.3**	**–**	**–**	**0.3**
At 31 December 2020	**1,038,128,556**	**103.8**	**94.5**	**597.1**	**795.4**
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

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.

22 TIER 1 NOTES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**294.0**	–
Issued in the period	**–**	300.0
Issue costs, net of tax	**–**	(6.0)
At 31 December	**294.0**	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 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 year, interest of £28.1m (2019: £16.8m) 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.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE

Insurance liabilities

	2020 £m	2019 £m
Gross insurance liabilities	**21,118.4**	19,003.7
Net reinsurance assets	**(2,865.5)**	(3,732.0)
Net insurance liabilities	**18,252.9**	15,271.7

(a) Terms and conditions of insurance contracts

The Group's long-term insurance contracts include Retirement Income (Guaranteed Income for Life ("GIfL"), Defined Benefit ("DB"), and immediate needs and deferred Care Plans), and whole of life and term protection insurance.

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

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process remain uncertain. As a consequence of this uncertainty, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide for appropriate levels of contract liabilities taking known facts and experiences into account but nevertheless such provisions remain uncertain.

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

(b) Principal assumptions underlying the calculation of insurance contracts

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

Mortality assumptions

The impact of the COVID-19 pandemic on UK mortality has been significant, and the understanding of excess deaths continues to develop as more data becomes available and is analysed.

The Group experienced mortality levels in 2020 which were around 10% higher than expected. This was 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 reflects the impact of COVID-19. This contributed to the £21.7m of positive mortality experience variance for GIfL, Care and DB reported in 2020, which was partly offset by the negative mortality experience variance for LTM business.

The total number of registered deaths in the UK in January and February 2021 has been much higher than normal for the time of year. However, we note that the weekly total has reduced significantly in recent weeks and the number of non-COVID deaths has remained relatively low despite the drop in COVID deaths. At this stage, there is considerable uncertainty as to the degree to which mortality rates might exceed current expectations over the course of 2021. The scale of the variance will depend on factors such as the effectiveness of the vaccine programme and the potential emergence of new variants. However, the experience variance noted for 2020 is a reference point for the potential impact of elevated mortality experience in the short-term.

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

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

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

	2020	2019
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**Modified E&W Population mortality, with CMI 2019 model mortality improvements for both Merica and PrognoSys™ underwritten business**	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for both Merica and PrognoSys™ underwritten business
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**Modified E&W Population mortality, with CMI 2019 model mortality improvements**	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements
Defined Benefit (JRL)	**Modified E&W Population mortality, with CMI 2019 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with modified CMI 2009 model mortality improvements for medically underwritten business**	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with modified CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit (PLACL)	**Modified E&W Population mortality, with CMI 2019 model mortality improvements**	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements
Care Plans and other annuity products (PLACL)	**Modified PCMA/PCFA and with CMI 2019 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with CMI 2019 model mortality improvements for other annuity products**	Modified PCMA/PCFA and with modified CMI 2017 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with modified CMI 2017 model mortality improvements for other annuity products
Protection (PLACL)	**TM/TF00 Select**	TM/TF00 Select

All references to the use of the CMI 2019 model relate to improvements for calendar year 2020 onwards. The modified CMI 2017 model has been used to derive base mortality rates and improvements for years up to and including 2019.

The long-term improvement rates in the CMI 2019 model are 2.0% for males and 1.75% for females (2019: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2019 model has been set to 7.00 (2019: 7.25). The addition to initial rates ('A') parameter in the model varies between 0% and 0.25% depending on product (2019: n/a). All other CMI model parameters are the defaults (2019: other parameters set to defaults). For 31 December 2020, full mortality improvements have been applied to all components of the mortality basis for Merica GIfL business in JRL. Previously a proportion of full improvements was applied to excess mortality. This strengthening of the assumption ensures the application of improvements for Merica is aligned with the approach more generally used for other products.

Valuation 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 17 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating. Economic uncertainty surrounding COVID-19 increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread widening and hence we have maintained the same methodology at 31 December 2020. The considerations around COVID-19 for property prices affecting the NNEG and corresponding changed to assumption for the valuation discount rate are as described in note 17.

Valuation discount rates – gross liabilities	**2020 %**	2019 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**2.34**	3.01
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**2.21**	2.89
Defined Benefit (JRL)	**2.34**	3.01
Defined Benefit (PLACL)	**2.21**	2.89
Other annuity products (PLACL)	**0.06**	0.92
Term and whole of life products (PLACL)	**0.28**	0.98

The overall reduction in yield to allow for the risk of default from all non-LTM assets (gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and the NNEG from LTMs was in aggregate 69bps in JRL and 65bps in PLACL (2019: 58bps and 60bps respectively).

Future expenses

Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The JRL GIfL maintenance expense assumption used at 31 December 2020 was £28.58 per plan (2019: £28.50), whilst the JRL DB maintenance assumption used at 31 December 2020 was £111.64 per scheme member (2019: £112.71). The PLACL GIfL maintenance expense assumption used at 31 December 2020 was £32.70 per plan (2019: £28.50), whilst the PLACL DB maintenance assumption used at 31 December 2020 was £220.70 per scheme member (2019: £175.40). The assumed future policy expense levels incorporate an annual inflation rate allowance of 3.85% (2019: 4.4%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. The assumption change includes the revision to the proportions assumed to increase at each RPI, CPI and earnings and reduction in the prudent margin applied.

(c) Movements

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

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

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

Year ended 31 December 2019	Gross £m	Reinsurance £m	Net £m
At 1 January 2019	17,273.8	(4,239.2)	13,034.6
Increase in liability from premiums	1,586.2	8.4	1,594.6
Release of liability due to recorded claims	(1,265.1)	354.1	(911.0)
Unwinding of discount	599.7	(138.2)	461.5
Changes in economic assumptions	886.5	(193.1)	693.4
Changes in non-economic assumptions	(44.3)	14.6	(29.7)
Other movements[1]	(33.1)	461.4	428.3
At 31 December 2019	19,003.7	(3,732.0)	15,271.7

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

Reinsurance in the tables 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 2.

Effect of changes in assumptions and estimates during the year

Economic assumption changes

The principal economic assumption changes impacting the movement in insurance liabilities during the year relates to discount rates and inflation for both JRL and PLACL.

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads and cash flows arising on backing assets held over the course of the year. This includes the effect of the reduced property growth rate assumed for lifetime mortgages. The movement of the discount rate includes purchases to support new business and trading for risk management purposes. For the year to 31 December 2020, the contribution from the decrease in discount rate of £1,189m was largely due to falls in the risk free rate and changes to the backing asset portfolio including the lifetime mortgage portfolio sale.

Inflation

Insurance liabilities for inflation-linked products, most notably Defined Benefit business and expenses on all products are impacted by changes in future expectations of RPI, CPI and earnings inflation. For the year to 31 December the contribution was £(81)m from changes in market-implied inflation. A fall in inflation reduces the carrying value of the Group's insurance liabilities.

Non-economic assumption changes

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

Mortality

The mortality bases applied are outlined above in note 23(b). For the year to 31 December 2020, this resulted in a net reduction in insurance liabilities of £(27)m. A decrease in future expectations of longevity reduces the carrying value of the Group's insurance liabilities.

Maintenance expenses and inflation methodology

This item primarily includes a reduction in the expense inflation arising from the changes to the calculation method of expense inflation, which included a reduction in the margin over the best estimate. For the year to 31 December 2020 this resulted in a net reduction in insurance liabilities of £(19)m. A decrease in maintenance expense assumptions decreases the carrying value of the Group's insurance liabilities.

(d) Estimated timing of net cash outflows from insurance contract liabilities

The following table shows the insurance contract balances analysed by duration. The total balances are split by duration of Retirement Income payments in proportion to the policy cash flows estimated to arise during the year.

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

	Expected cash flows (undiscounted)					
2019	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £m
Gross	1,303.4	4,929.4	5,620.4	14,945.3	26,798.5	19,003.7
Reinsurance	(295.9)	(1,085.2)	(1,152.5)	(2,474.4)	(5,008.0)	(3,732.0)
Net	1,007.5	3,844.2	4,467.9	12,470.9	21,790.5	15,271.7

(e) Sensitivity analysis

The Group has estimated the impact on profit before tax for the year in relation to insurance contracts and related reinsurance from reasonably possible changes in key assumptions relating to financial assets and liabilities. The sensitivities capture the liability impacts arising from the impact on the yields of the assets backing liabilities in each sensitivity. The impact of changes in the value of assets and liabilities has been shown separately to aid the comparison with the change in value of assets for the relevant sensitivities in note 17. To further assist with this comparison, any impact on reinsurance assets has 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 of these sensitivities on IFRS net equity is the impact on profit before tax as set out in the table below less tax at the current tax rate.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6% respectively). The test consistently allows for similar changes to both assets and liabilities
Expenses	The impact of an increase in maintenance expenses by 10%
Base mortality rates	The impact of a decrease in base table mortality rates by 5% applied to both Retirement Income liabilities and loans secured by residential mortgages
Mortality improvement rates	The impact of a level increase in mortality improvement rates of 0.25% for both Retirement Income liabilities and loans secured by residential mortgages
Immediate property price fall	The impact of an immediate decrease in the value of properties by 10%
Future property price growth	The impact of a reduction in future property price growth by 0.5%
Future property price volatility	The impact of an increase in future property price volatility by 1%
Voluntary redemptions	The impact of an increase in voluntary redemption rates on loans secured by residential mortgages by 10%
Credit defaults	The impact of an increase in the credit default assumption of 10bps

Impact on profit before tax (£m)

		Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Credit defaults +10bps
2020	**Assets**	**(2,471.3)**	**2,955.9**	**(5.9)**	**35.3**	**15.6**	**(105.8)**	**(72.8)**	**(51.5)**	**(14.5)**	**–**
	Liabilities	**1,974.6**	**(2,369.9)**	**(50.5)**	**(149.6)**	**(109.4)**	**(88.0)**	**(83.8)**	**(43.9)**	**(83.8)**	**(150.6)**
	Total	**(496.7)**	**586.0**	**(56.4)**	**(114.3)**	**(93.8)**	**(193.8)**	**(156.6)**	**(95.4)**	**(98.3)**	**(150.6)**
2019	Assets	(2,139.5)	2,551.3	(6.6)	29.8	14.0	(104.5)	(80.2)	(55.6)	(12.8)	–
	Liabilities	1,744.3	(2,077.5)	(42.9)	(128.0)	(78.5)	(76.8)	(72.7)	(38.3)	(87.7)	(85.8)
	Total	(395.2)	473.8	(49.5)	(98.2)	(64.5)	(181.3)	(152.9)	(93.9)	(100.5)	(85.8)

24 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**54.0**	197.8
Deposits received from policyholders	**1.0**	26.7
Payments made to policyholders	**(14.0)**	(78.3)
Change in contract liabilities recognised in profit or loss	**1.8**	(92.2)
At 31 December	**42.8**	54.0

During 2019 the Group closed its Flexible Pension Plan product to new business and completed the transfer of the business to an external provider.

(a) Terms and conditions of investment contracts

The Group has written Capped Drawdown products for the at-retirement market. These products are no longer available to new customers. In return for a single premium, these contracts pay a guaranteed lump sum on survival to the end of the fixed term. There is an option at outset to select a lower sum at maturity and regular income until the earlier of death or maturity. Upon death of the policyholder and subject to the option selected at the outset, there may be a return of premium less income received or income payable to a dependant until the death of that dependant.

(b) Principal assumptions underlying the calculation of investment contracts

Valuation discount rates

Valuation discount rate assumptions for investment contracts are set with regard to yields on supporting assets. The yields on lifetime mortgage assets are derived using the assumptions described in note 17 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on historical default experience of each asset class.

Valuation discount rates	**2020** %	2019 %
Investment contracts	**2.34**	3.01

25 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2020 %	2019 %	**2020** %	2019 %
£100m 9.5% 10 year subordinated debt 2025 non-callable 5 years (Tier 2) issued by Partnership Life Assurance Company Limited (call option in March 2020)	**–**	60.7	**–**	67.2
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**249.1**	248.9	**260.0**	255.8
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**121.8**	121.4	**127.0**	127.5
£250m 7.0% 10.5 year subordinated debt 2013 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	**248.2**	–	**253.9**	–
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**154.4**	229.0	**161.1**	239.7
Total loans and borrowings	**773.5**	660.0	**802.0**	690.2

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 arrears. 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.

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

The Group also has an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes available until 15 May 2022. Interest is payable on any drawdown loans at a rate of 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.

Movements in borrowings during the year were as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**660.0**	573.4
Proceeds from issue of Just Group plc Tier 2 subordinated debt	**250.0**	125.0
Issue costs	**(1.9)**	(3.6)
Repayment of Partnership Life Assurance Company Limited Tier 2 subordinated debt	**(62.5)**	(37.5)
Repayment of Just Group plc Tier 3 subordinated debt	**(75.0)**	–
Financing cash flows	**110.6**	83.9
Amortisation of issue costs	**2.9**	2.7
Non-cash movements	**2.9**	2.7
At 31 December	**773.5**	660.0

26 LEASE LIABILITIES

Lease liabilities are in respect of property assets leased by the Group recognised as right-of-use assets within Property, plant and equipment on the Consolidated statement of financial position.

Movements in lease liabilities during the year were as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**12.4**	–
Recognition of lease liabilities on initial application of IFRS 16	**–**	9.6
Lease payments	**(4.3)**	(3.1)
Financing cash flows	**(4.3)**	(3.1)
New lease	**–**	5.6
Disposal	**(1.5)**	–
Interest	**0.2**	0.3
Non-cash movements	**(1.3)**	5.9
At 31 December	**6.8**	12.4

Lease liabilities are payable as follows:

	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
At 31 December 2020			
Less than one year	**3.4**	**(0.1)**	**3.3**
Between one and five years	**3.6**	**(0.1)**	**3.5**
Total	**7.0**	**(0.2)**	**6.8**
At 31 December 2019			
Less than one year	4.4	(0.2)	4.2
Between one and five years	8.4	(0.2)	8.2
Total	12.8	(0.4)	12.4

27 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 with relevant underlying contracts ("insurance rules"), summarised as follows:

	Note	2020 £m	2019 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	**512.7**	248.4
Obligations for repayment of cash collateral received	(a)	**377.4**	62.8
Deposits received from reinsurers	(b)	**2,415.0**	2,417.7
Liabilities measured using insurance rules under IFRS 4			
Deposits received from reinsurers	(b)	**–**	772.6
Reinsurance finance	(c)	**–**	14.5
Reinsurance funds withheld	(d)	**–**	162.9
Total other liabilities		**3,305.1**	3,678.9

The amount of deposits received from reinsurers and reinsurance funds withheld that is expected to be settled more than one year after the Consolidated statement of financial position date is £2,213.4m (2019: £3,068.0m).

(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. During the year the Group recaptured all of the business recognised in accordance with IFRS 4 resulting in a nil balance at the end of the year (see note 29).

(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. During the year the Group repaid all of the outstanding loan obligation under the reinsurance financing arrangements (see note 29).

(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. During the year the Group recaptured all of the business reinsured on a funds withheld basis resulting in a nil balance at the end of the year (see note 29).

28 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2020			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	**267.7**	**194.5**	**4,557.5**	54.8	96.3	2,035.1
Interest rate swaps	**484.3**	**76.8**	**6,798.5**	157.3	30.7	3,644.8
Inflation swaps	**25.6**	**228.2**	**3,238.4**	10.7	120.6	2,165.8
Forward swaps	**8.9**	**0.1**	**93.8**	10.1	0.8	612.4
Put option on property index (NNEG hedge)	**3.6**	**3.3**	**730.0**	4.0	–	80.0
Total return swaps	**9.9**	**9.8**	–	0.1	–	66.9
Total	**800.0**	**512.7**	**15,418.2**	237.0	248.4	8,605.0

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

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

As at 31 December 2020, the Company had pledged collateral of £97.8m (2019: £103.1m) of which £nil were gilts and European Investment Bank bonds (2019: £nil) and had received cash collateral of £377.4m (2019: £62.8m).

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Movement in fair value of derivative instruments	**298.7**	85.2
Realised losses on interest rate swaps closed	**29.0**	44.7
Total amounts recognised in profit or loss	**327.7**	129.9

29 REINSURANCE

The Group uses reinsurance as an integral part of its risk and capital management activities. New business is reinsured via longevity swap arrangements for DB and GIfL business and quota share for DB partnering business, as follows:

- DB was reinsured at 75% for underwritten schemes, and 90% for non-underwritten schemes during 2020. From 1 January to 30 June 2019, DB was initially reinsured at 55% for underwritten schemes, and 75% for non-underwritten schemes and was part of a subsequent increase in reinsurance on 1 July 2019, as detailed below. From 1 July 2019 the reinsurance share for new business was increased to 75% for underwritten schemes, and 90% for non-underwritten schemes.
- DB Partnering: The Group completed its first DB partnering transaction during 2020 which was 100% reinsured.
- GIfL was reinsured at 90% during 2020. New business in 2019 was reinsured at 75% but was part of a subsequent increase in reinsurance on 30 June 2020, as detailed below.
- Care new business was not reinsured in 2020 or 2019.

In-force business is reinsured under longevity swap and quota share treaties. The quota share reinsurance treaties have deposit back or premium withheld arrangements to remove the majority of the reinsurer credit risk. During 2020 the Group increased the reinsurance on JRL GIfL business written between 1 January 2016 and 31 December 2019 from 75% to 100%. The increased cover was effective from 30 June 2020. In 2019 the Group increased the reinsurance on JRL DB in-force business to 100% (from 55% for underwritten schemes and 75% for non-underwritten schemes) for all schemes written between 1 January 2016 and 30 June 2019. The increased cover was effective from 1 July 2019. Within the Group's subsidiary, JRL, there are a number of quota share treaties with financing arrangements, which were originally entered into for the capital benefits under the old Solvency I regime (the financing formed part of available capital). The repayment of this financing is contingent upon the emergence of surplus under the Solvency I or IFRS valuation rules. These treaties were closed to new business prior to the introduction of Solvency II on 1 January 2016 but the Group retained a capital benefit under Solvency II from the financing arrangements as these form part of the transitional calculations. Under IFRS the financing element is included within other financial liabilities (see note 27(c)). These treaties also allow JRL to recapture business once the financing loan from the reinsurer has been fully repaid. Once a recapture becomes effective, JRL retains 100% of the risk on business recaptured. During the year the Group made additional repayments so as to fully repay all financing loans and trigger the recapture of all remaining financing treaties. In aggregate, recaptures during the year (including those occurring as a result of these additional repayments) resulted in a decrease of reinsurance assets of £940.0m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities.

In addition to the deposits received from reinsurers recognised within other financial liabilities (see note 27(b)), certain reinsurance arrangements give rise to deposits from reinsurers that are not included in the Consolidated statement of financial position of the Group as described below:

- The Group has an agreement with two reinsurers whereby financial assets arising from the payment of reinsurance premiums, less the repayment of claims, in relation to specific treaties, are legally and physically deposited back with the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as any returns on the deposits are paid to reinsurers. Consequently, the deposits are not recognised as assets of the Group and the investment income they produce does not accrue to the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are deposited into a ringfenced collateral account. The Group has first claim over these assets should the reinsurer default, but as the Group has no control over these funds and does not accrue any future benefit, this fund is not recognised as an asset of the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurers full obligation under the treaty are either deposited into a ringfenced collateral account if corporate bonds or held under a funds withheld structure if Lifetime Mortgages. The latter are legally and physically held by the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as returns on the assets are paid to reinsurers. Consequently, the lifetime mortgages are not recognised as assets of the Group and the investment income they produce does not accrue to the Group. The reinsurer also deposits cash into a bank account held legally by the Group to fund future lifetime mortgages but as this cash is ringfenced for issued lifetime mortgage quotes agreed by the reinsurer, it is also recognised as an asset by the Group.

	2020 £m	2019 £m
Deposits managed by the Group	**249.0**	194.5
Deposits held in trust	**492.0**	283.4
Total deposits not included in the Consolidated statement of financial position	**741.0**	477.9

The Group is exposed to a minimal amount of reinsurance counterparty default risk in respect of the above arrangements and calculates a counterparty default reserve accordingly. At 31 December 2020, this reserve totalled £3.6m (2019: £2.5m) and largely relates to the Hannover Re and Pacific Life Re reinsurance treaties in PLACL.

30 OTHER PROVISIONS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**1.8**	0.7
Amounts utilised	**(1.1)**	(1.7)
Amounts charged to profit and loss	**0.3**	2.8
At 31 December	**1.0**	1.8

The amount of provisions that is expected to be settled more than 12 months after the Consolidated statement of financial position date is £0.5m (2019: £1.2m).

31 INSURANCE AND OTHER PAYABLES

	2020 £m	2019 £m
Payables arising from insurance and reinsurance contracts	**24.6**	22.4
Other payables	**67.0**	50.2
Total insurance and other payables	**91.6**	72.6

Other payables includes unsettled investment purchases. Insurance and other payables due in more than one year are £nil (2019: £nil).

32 COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 December 2020 (2019: £nil).

33 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2020.

34 FINANCIAL AND INSURANCE RISK MANAGEMENT

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

(a) Insurance risk

The 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.

The following table indicates the earlier of contractual repricing or maturity dates for the Group's significant financial assets.

2020	**Less than one year £m**	**One to five years £m**	**Five to ten years £m**	**Over ten years £m**	**No fixed term £m**	**Total £m**
Units in liquidity funds	**1,128.5**	**–**	**–**	**–**	**–**	**1,128.5**
Investment funds	**37.0**	**139.1**	**–**	**–**	**–**	**176.1**
Debt securities and other fixed income securities	**789.3**	**1,823.4**	**2,322.7**	**6,126.0**	**–**	**11,061.4**
Deposits with credit institutions	**99.7**	**–**	**–**	**–**	**–**	**99.7**
Derivative financial assets	**11.1**	**35.0**	**84.9**	**669.0**	**–**	**800.0**
Loans secured by residential mortgages	**–**	**–**	**–**	**–**	**8,261.1**	**8,261.1**
Loans secured by commercial mortgages	**36.0**	**270.5**	**221.2**	**179.3**	**–**	**707.0**
Other loans	**0.4**	**81.7**	**157.1**	**796.8**	**–**	**1,036.0**
Total	**2,102.0**	**2,349.7**	**2,785.9**	**7,771.1**	**8,261.1**	**23,269.8**

2019	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,384.0	–	–	–	–	1,384.0
Investment funds	25.5	111.8	–	–	–	137.3
Debt securities and other fixed income securities	950.3	2,734.4	2,819.3	3,883.8	–	10,387.8
Deposits with credit institutions	104.6	–	–	–	–	104.6
Derivative financial assets	10.9	15.3	63.8	147.0	–	237.0
Loans secured by residential mortgages	–	–	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	29.0	202.5	198.0	65.0	–	494.5
Other loans	55.9	13.8	133.5	677.1	–	880.3
Total	2,560.2	3,077.8	3,214.6	4,772.9	7,980.5	21,606.0

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

(ii) Property risk

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

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

A sensitivity analysis of the impact of property price movements is included in note 17 and note 23(e). These notes also discuss the Group's consideration of the impact of COVID-19 on property assumptions at 31 December 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 27).
- 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 31 December:

2020	**UK gilts £m**	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**BB or below £m**	**Unrated £m**	**Total £m**
Units in liquidity funds	**–**	**1,123.2**	**–**	**–**	**–**	**5.3**	**–**	**1,128.5**
Investment funds	**–**	**–**	**–**	**–**	**–**	**–**	**176.1**	**176.1**
Debt securities and other fixed income securities	**205.6**	**838.8**	**1,519.3**	**3,030.5**	**5,124.4**	**342.8**	**–**	**11,061.4**
Deposits with credit institutions	**–**	**–**	**–**	**58.6**	**39.2**	**1.9**	**–**	**99.7**
Derivative financial assets	**–**	**–**	**–**	**594.2**	**205.8**	**–**	**–**	**800.0**
Loans secured by residential mortgages	**–**	**–**	**–**	**–**	**–**	**–**	**8,261.1**	**8,261.1**
Loans secured by commercial mortgages	**–**	**–**	**–**	**–**	**–**	**–**	**707.0**	**707.0**
Other loans	**–**	**87.2**	**125.8**	**176.0**	**509.4**	**58.4**	**79.2**	**1,036.0**
Reinsurance	**–**	**–**	**273.0**	**309.1**	**6.2**	**–**	**0.5**	**588.8**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**32.0**	**32.0**
Total	**205.6**	**2,049.2**	**1,918.1**	**4,168.4**	**5,885.0**	**408.4**	**9,255.9**	**23,890.6**

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 31 December 2020 was 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.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

2020	**Within one year or payable on demand £m**	**One to five years £m**	**More than five years £m**	**No fixed term £m**
Subordinated debt	**66.2**	**674.9**	**595.8**	**–**
Derivative financial liabilities	**53.3**	**189.0**	**1,408.6**	**–**
Obligations for repayment of cash collateral received	**377.4**	**–**	**–**	**–**
Deposits received from reinsurers	**201.7**	**712.0**	**2,073.3**	**–**
Reinsurance finance	**–**	**–**	**–**	**–**
Reinsurance funds withheld	**–**	**–**	**–**	**–**

2019	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
Subordinated debt	74.8	585.0	773.3	–
Derivative financial liabilities	10.2	115.0	871.2	–
Obligations for repayment of cash collateral received	62.8	–	–	–
Deposits received from reinsurers	270.5	975.3	3,002.7	–
Reinsurance finance	–	–	–	14.5
Reinsurance funds withheld	15.7	57.3	134.9	–

35 CAPITAL

The net assets of the Group at 31 December 2020 on an IFRS basis were £2,490.4m (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 Group has a significant investment in LTMs, in particular in JRL. 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, December 2019 and April 2020). SS3/17 introduced the Effective Value Test ("EVT"), 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 Matching Adjustment ("MA") for liabilities that are matched with restructured LTMs. In 2019 JRL updated the LTM note valuation and rating methodology and restructured the internal LTM securitisation to better meet the revised regulatory expectations. The restructure was effected on 31 December 2019. The internal securitisation was restructured at 31 December 2020 to remove the sold block of LTMs.

At 31 December 2020, Just passed the PRA EVT with a buffer (0.63%) (unaudited) (2019: 0.67%) over the current minimum deferment rate of zero (allowing for a volatility of 13%, in line with the requirement for the EVT). From 31 December 2021, when SS3/17 is fully phased-in, firms will be expected to meet the EVT with a deferment rate above 0%, as specified by the PRA and reviewed twice a year. The minimum deferment rate (to apply from 31 December 2021) was 0.5% at 31 December 2020 (as published by the PRA on 30 September 2020). As at the end of February, we estimate that Just passed the PRA EVT with a buffer of more than 1% (unaudited) over a deferment rate of zero. The increase in buffer from year end is driven by the increase in long-term rates since 31 December 2020. We note that the increase in real rates could lead the PRA to increase the minimum deferment rate when it is reviewed. JRL received PRA approval for an updated MA application in December 2020. The updated approval captures changes since our original application in 2015 and provides greater flexibility to invest a wider range of asset classes going forward.

The Group is exploring ways to reduce its exposure to UK residential property risk, with hedging transactions and a sale of a portfolio of LTMs completed during 2020 and further action anticipated in the future.

There are remaining areas of uncertainty that could impact the capital position of the Firm:

- The PRA has published PS 14/20 and SS 1/20 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. The Group has reviewed and is further enhancing its investment strategy, including taking steps to reduce exposure to property risk through LTMs.
- The minimum deferment rate within the EVT, published by the PRA, could increase from 0.5%. The PRA reviews the minimum deferment rate every 6 months and publishes the result of the review in March and September. Increasing JRL's deferment rate by 0.5% would lead to a c.6 percentage point (unaudited) reduction in the solvency coverage ratio.
- JRL is preparing a major model change application for updates to its internal model. We plan to submit this to the PRA for approval in 2021. The purpose of model change is to ensure that the capital requirement produced from the model remains appropriate for the risk profile of the business and is in line with latest regulatory expectations and emerging best practice. At this stage, we do not expect that the internal model change will have a significant impact on the capital requirement. However, we note there is uncertainty on the final outcome. In particular, the approach to assessing the EVT in stress, as required from 31 December 2021, and agreeing appropriate treatment of NNEG risk transfer transactions remain uncertain.
- The PRA issued CP 1/21 – Solvency II: Deep, liquid and transparent assessments, and GBP transition to SONIA, on 7 January 2021. This proposes that the change in the reference rate used for valuing liabilities, from LIBOR to SONIA, is implemented on 31 July 2021. Any difference between the risk-free curves on this date will have an impact on excess Own Funds.
- The PRA published a Dear Chief Actuary letter in February 2021 setting out the application of the EVT, in particular setting expectations of current balance sheet values of property and allowance for other risks. The recommendations should be incorporated by 31 December 2021.

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 year:

- Continued reduction in new business strain through a planned reduction in new business volumes, re-pricing and cost reductions.
- Launch of 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 the second and third NNEG hedges in March and December 2020 and a sale of £540m of LTMs to increase the firm's resilience to adverse property market events.
- 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.
- In October 2020, the Group raised £175m of net new capital, through the issue of £250m 7% Tier 2 loan notes (before issue costs) and tender for £75m of its existing £230m 3.5% Tier 3 loan notes.

The Group has planned actions to improve the resilience of the balance sheet. These include:

- On-going cost savings with a target to eliminate expense overruns by the end of 2021.
- Further NNEG hedging transactions and continuing review of opportunities to dispose of blocks of LTMs, aligned to the strategy to increase the resilience of the Solvency II balance sheet 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 limiting 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.

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

In June 2020, the Government announced that it would review certain features of Solvency II. The review will ensure that Solvency II properly reflects the specific features of the UK insurance sector. The call for evidence to support the review, issued by HM Treasury in October 2020, states that 'The Government intends to work with the PRA to reform the risk margin. Reform could reduce the volatility and pro-cyclicality of insurance firms' balance sheets'. The PRA has indicated that the risk margin is too sensitive to interest rates and higher than needed in the current interest rate environment (letter from Sam Woods to the Chair of the Treasury Committee, June 2018, reiterated in Anna Sweeney speech given at the Westminster Business Forum, February 2021). Any reduction in magnitude or volatility in the risk margin would be expected to support the Group's capital position. The Group's risk margin was £846m (unaudited) at 31 December 2020, of which £762m (unaudited) is backed by TMTP.

Further information on the matters considered by the Directors at 31 December 2020 in relation to capital and going concern is included in note 1.1, 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 ensure that in all reasonable foreseeable circumstances, the Group is able to fulfil its commitment over the short term and long term to pay policyholders benefits;
- to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

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 (unaudited)

The Group's estimated capital surplus position at 31 December 2020, which is unaudited, was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2020[1] £m	2019[2] £m	**2020 £m**	2019 £m
Eligible Own Funds	**3,009**	2,562	**2,262**	1,928
Solvency Capital Requirement	**(1,938)**	(1,814)	**(476)**	(444)
Excess Own Funds	**1,071**	748	**1,786**	1,484
Solvency coverage ratio	**155%**	141%	**475%**	434%

1 Estimated regulatory position. These figures do not allow for any notional recalculation of TMTP as at 31 December 2020. The estimated solvency coverage ratio including a notional recalculation of TMTP as at 31 December 2020 is 156%.

2 As reported in the Group's Solvency and Financial Condition Report as at 31 December 2019.

36 GROUP ENTITIES

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

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Direct subsidiary			
Just Retirement Group Holdings Limited	Holding company	Reigate	100%
Partnership Assurance Group Limited	Holding company	Reigate	100%
Indirect subsidiary			
HUB Acquisitions Limited[1,5]	Holding company	Reigate	100%
HUB Financial Solutions Limited	Distribution	Reigate	100%
HUB Pension Solutions Limited	Software development	Belfast	100%
Just Re 1 Limited[5]	Investment activity	Reigate	100%
Just Re 2 Limited[5]	Investment activity	Reigate	100%
Just Retirement (Holdings) Limited	Holding company	Reigate	100%
Just Retirement (South Africa) Holdings (Pty) Limited	Holding company	South Africa	100%
Just Retirement Life (South Africa) Limited	Life assurance	South Africa	100%
Just Retirement Limited	Life assurance	Reigate	100%
Just Retirement Management Services Limited	Management services	Reigate	100%
Just Retirement Money Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Group Holdings Limited	Holding company	Reigate	100%
Partnership Holdings Limited	Holding company	Reigate	100%
Partnership Home Loans Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Life Assurance Company Limited	Life assurance	Reigate	100%
Partnership Life US Company	Management services	USA	100%
Partnership Services Limited[5]	Management services	Reigate	100%
The Open Market Annuity Service Limited[5]	Software solutions	Reigate	100%
TOMAS Online Development Limited[5]	Software development	Belfast	100%
Enhanced Retirement Limited	Dormant	Reigate	100%
HUB Digital Solutions Limited	Dormant	Reigate	100%
HUB Online Development Limited	Dormant	Belfast	100%
HUB Transfer Solutions Limited	Dormant	Reigate	100%
JRP Group Limited	Dormant	Reigate	100%
JRP Nominees Limited	Dormant	Reigate	100%
Just Annuities Limited	Dormant	Reigate	100%
Just Equity Release Limited	Dormant	Reigate	100%
Just Incorporated Limited	Dormant	Reigate	100%
Just Management Services (Proprietary) Limited	Dormant	South Africa	100%
Just Protection Limited	Dormant	Reigate	100%
Just Retirement Finance plc	Dormant	Reigate	100%
Just Retirement Nominees Limited	Dormant	Reigate	100%
Just Retirement Solutions Limited	Dormant	Reigate	100%
PAG Finance Limited	Dormant	Jersey	100%
PAG Holdings Limited	Dormant	Jersey	100%
PASPV Limited	Dormant	Reigate	100%
PayingForCare Limited	Dormant	Reigate	100%
PLACL RE 1 Limited	Dormant	Reigate	100%

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
PLACL RE 2 Limited	Dormant	Reigate	100%
TOMAS Acquisitions Limited	Dormant	Reigate	100%
Corinthian Group Limited	Holding company	Reigate	75%
HUB Pension Consulting Limited	Pension consulting	Reigate	75%
Spire Platform Solutions Limited[2,3]	Software development	Portsmouth	33%[4]

1 Class "A" and Class "B" ordinary shares.

2 Class "B" ordinary shares.

3 30 June year end.

4 Control is based on Board representation rather than percentage holding.

5 The financial statements of these subsidiary undertakings have not been audited for the year ended 31 December 2020. These subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of the Companies Act 2006.

Registered offices

Reigate office:	Belfast office:	South Africa office:
Enterprise House	3rd Floor, Arena Building	Office G01, Big Bay Office Park
Bancroft Road	Ormeau Road	16 Beach Estate Boulevard, Big Bay
Reigate, Surrey RH2 7RU	Belfast BT7 1SH	Western Cape 7441
Jersey office:	United States office:	Portsmouth office:
44 Esplanade	2711 Centerville Road, Suite 400	Building 3000, Lakeside North Harbour
St Helier	Wilmington	Portsmouth
Jersey JE4 9WG	Delaware	Hampshire PO6 3EN

On 25 November 2020 the Parent Company invested in a cell of a Protected Cell Company, White Rock Insurance (Gibraltar) PCC Limited. Financial support provided by the Group is limited to amounts required to cover transactions between the cell and the Group. At 31 December 2020 the Group had provided £10m financial support in the form of a letter of credit.

On 24 July 2019 the Group disposed of its 33% interest in associated undertaking Eldercare Group Limited. At disposal, the Group's share of the net assets of Eldercare Group Limited recognised on the Consolidated statement of financial position under the equity method of accounting was £0.3m.

On 4 July 2018 the Group subscribed to 33% of the ordinary share capital of Spire Platform Solutions Limited. The Group has majority representation on the Board of the company, giving it effective control, and therefore consolidates the company in full in the results of the Group.

On 17 August 2018 the Group acquired 75% of the ordinary share capital of Corinthian Group Limited.

The non-controlling interests of the minority shareholders of Spire Platform Solutions Limited and Corinthian Group Limited totalling £(0.2)m have been recognised in the year.

37 RELATED PARTIES

The Group has related party relationships with its key management personnel and associated undertakings. All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprise the Directors of the Company. There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Short-term employee benefits	**3.6**	2.2
Share-based payments	**1.2**	1.0
Total key management compensation	**4.8**	3.2
Loans owed by Directors	**0.4**	0.4

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

38 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

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

39 POST BALANCE SHEET EVENTS

There are no material post balance sheet events that have taken place between 31 December 2020 and the date of this report.

Additional Financial Information

The following additional financial information is unaudited.

SOLVENCY II SURPLUS GENERATION

The table below shows the expected future emergence of Solvency II surplus from the in-force book in excess of 100% of SCR over the next 35 years. The amounts are shown undiscounted and exclude Excess Own Funds at 31 December 2020 of £1,076m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.8%. The cash flow amounts shown are before the interest and principal payments on all debt obligations.

The projection does not allow for the impact of future new business, and return on surplus assets held or dividends from 31 December 2020. This is a change from prior year disclosure that had any surplus emerging assumed to roll up and earn an investment return, contributing to further surplus, which reduces the surplus emerging presented below.

Year	Core surplus generation £m	TMTP amortisation £m	Surplus generation £m
2021	319	(155)	164
2022	319	(157)	162
2023	303	(157)	146
2024	283	(157)	126
2025	273	(157)	116
2026	270	(157)	113
2027	253	(157)	96
2028	245	(157)	88
2029	242	(157)	85
2030	227	(157)	70
2031	222	(157)	65
2032	210	-	210
2033	199	-	199
2034	194	-	194
2035	180	-	180
2036	177	-	177
2037	162	-	162
2038	152	-	152
2039	144	-	144
2040	135	-	135
2041 – 2045	498	-	498
2046 – 2050	265	-	265
2051 – 2055	92	-	92

New business contribution

The table below shows the expected future emergence of Solvency II surplus arising from 2020 new business in excess of 100% of SCR over 35 years from the point of sale. It shows the initial Solvency II capital strain in 2020. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(48.0)
Year 1	15.3
Year 2	14.9
Year 3	14.5
Year 4	14.4
Year 5	13.1
Year 6	12.9
Year 7	12.3
Year 8	12.2
Year 9	12.0
Year 10	12.2
Year 11	10.7
Year 12	10.8
Year 13	10.5
Year 14	10.1
Year 15	9.6
Year 16	10.3
Year 17	9.9
Year 18	9.5
Year 19	8.8
Year 20	8.5
Years 21 to 25	35.4
Years 26 to 30	20.0
Years 31 to 35	6.5

FINANCIAL INVESTMENTS CREDIT RATINGS

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

	Total £m	%	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m
Basic materials	199.9	0.9	-	-	104.7	90.6	4.6	-
Communications and technology	1,188.9	5.1	37.6	82.9	179.6	850.8	38.0	-
Auto manufacturers	385.0	1.7	-	43.3	84.1	234.9	22.7	-
Consumer (staples including healthcare)	976.6	4.2	77.2	261.2	238.7	334.1	43.5	21.9
Consumer (cyclical)	112.8	0.5	-	-	3.1	80.8	0.5	28.4
Energy	462.7	2.0	-	167.4	93.0	132.1	70.2	-
Banks	1,422.5	6.1	158.0	150.3	568.1	455.8	85.4	4.9
Insurance	824.9	3.5	-	109.6	184.9	530.4	-	-
Financial - other	462.5	2.0	80.2	140.9	58.1	111.8	12.7	58.8
Real estate including REITs	771.3	3.3	43.5	18.0	353.9	301.0	54.9	-
Government	1,340.4	5.8	442.2	687.1	132.0	79.1	-	-
Industrial	839.6	3.6	-	35.0	100.7	538.1	24.1	141.7
Utilities	2,029.9	8.7	-	29.3	837.2	1,163.4	-	-
Commercial mortgages	707.0	3.0	148.1	138.1	276.2	144.6	-	-
Infrastructure loans	1,220.5	5.2	87.2	125.8	230.1	730.8	46.6	-
Other	38.0	0.2	-	-	38.0	-	-	-
Corporate/government bond total	**12,982.5**	**55.8**	**1,074.0**	**1,988.9**	**3,482.4**	**5,778.3**	**403.2**	**255.7**
Lifetime mortgages	8,261.1	35.5						
Liquidity funds	1,128.5	4.8						
Derivatives and collateral	897.7	3.9						
Total	**23,269.8**	**100.0**						

Glossary

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

Adjusted earnings per share (adjusted EPS) – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19% for 2020), and dividing this result by the weighted average number of shares in issue by the Group for the period. For remuneration purposes (see Directors Remuneration Report), the measure is calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer-term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost-saving initiatives, investment and economic profits and amortisation and impairment costs. 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 – 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 – 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 – 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 – 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 – total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Guidance – see Pensions Wise.

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

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

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

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

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

Key performance indicators ("KPIs") – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Solvency II capital coverage ratio, Organic capital generation, Underlying organic capital generation, Retirement Income sales, New business operating profit, Management expenses, Adjusted operating profit, IFRS profit before tax and IFRS net assets.

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

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

Management expenses – an APM and one of the Group's KPIs, and are business as usual costs incurred in running the business, including all operational overheads. Management expenses are other operating expenses excluding investment expenses and charges; reassurance management fees which are largely driven by strategic decisions; amortisation of acquired intangible assets relating to merger and acquisition activity; and other costs consisting of movements in the value of property owned by the Group and SAYE cancellation charges as both of these are impacted by external factors. Management expenses are reconciled to IFRS other operating expenses in note 5 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Organic capital generation/(consumption) – an APM and one of the Group's KPIs. Organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, and includes surplus from in-force, new business strain, costs overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated TMTP amortisation and capital raising or repayment. The Board believes that this measure provides good insight into our objective to improve our capital position. Organic capital generation/(consumption) is reconciled to Solvency II excess own funds, and Solvency II excess own funds is reconciled to shareholders' net equity on an IFRS basis in the Business Review.

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

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

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

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 a collective term for GIfL, DB and Care Plan. Retirement Income sales are reconciled to IFRS gross premiums in note 7 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 adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Underlying organic capital generation/(consumption) – an APM and one of the Group's KPIs. Underlying organic capital generation/(consumption) is calculated in the same way as Organic capital generation/(consumption), but also excludes other operating items.

Abbreviations

ABI – Association of British Insurers

AGM – Annual General Meeting

APM – alternative performance measure

Articles – Articles of Association

CMI – Continuous Mortality Investigation

Code – UK Corporate Governance Code

CP – Care Plans

DB – Defined Benefit De-risking Solutions

DC – defined contribution

DSBP – deferred share bonus plan

EBT – employee benefit trust

EPS – earnings per share

ERM – equity release mortgage

ESG – environment, social and governance

EVT – effective value test

FCA – Financial Conduct Authority

FPP – Flexible Pension Plan

FRC – Financial Reporting Council

GDPR – General Data Protection Regulation

GHG – greenhouse gas

GIfL – Guaranteed Income for Life

Hannover – Hannover Life Reassurance Bermuda Ltd

IFRS – International Financial Reporting Standards

IP – intellectual property

ISA – International Standards on Auditing

JRL – Just Retirement Limited

KPI – key performance indicator

LCP – Lane Clark & Peacock LLP

LTIP – Long Term Incentive Plan

LTM – lifetime mortgage

MA – matching adjustment

MAR – Market Abuse Regulation

NAV – net asset value

NNEG – no-negative equity guarantee

ORSA – Own Risk and Solvency Assessment

PAG – Partnership Assurance Group

PILON – payment in lieu of notice

PLACL – Partnership Life Assurance Company Limited

PPF – Pension Protection Fund

PRA – Prudential Regulation Authority

PRI – United Nations Principles for Responsible Investment

PVIF – purchased value of in-force

PwC – PricewaterhouseCoopers LLP

RICS – The Royal Institution of Chartered Surveyors

RPI – retail price inflation

SAPS – Self-Administered Pension Scheme

SAYE – Save As You Earn

SCR – Solvency Capital Requirement

SFCR – Solvency and Financial Condition Report

SID – Senior Independent Director

SIP – Share Incentive Plan

SLI – Secure Lifetime Income

SME – small and medium-sized enterprise

STIP – Short Term Incentive Plan

tCO_2e – tonnes of carbon dioxide equivalent

TMTP – transitional measures on technical provisions

TSR – Total shareholder return