NEWS RELEASE

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12 March 2020

JUST GROUP PLC
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019
POSITIVE ORGANIC CAPITAL GENERATION AND ACCELERATED REGULATORY ALIGNMENT

Just Group plc (the "Group", "Just") announces its results for the year ended 31 December 2019.

Key Points: Capital generation and balance sheet

- Organic capital generation[1,3]. A halving of new business strain, improved in-force surplus generation and positive management actions including Defined Benefit reinsurance, have helped to produce organic capital generation of £36m (FY18 – organic capital consumption of £165m)
- Just Group expects to be organically capital generative in 2020 & thereafter. Further management actions will support this as well as continued underlying improvement in capital generation
- Increased clarity on impact of regulatory change with a capital coverage ratio of 141% (31 December 2018: 136%[2]). The Group has chosen to restructure its Lifetime Mortgage notes to accelerate alignment with the new regulatory requirements. This has resulted in a £219m regulatory capital cost in H219, which together with the estimated £80m future cost of full compliance with SS3/17 and PS19/19 is within the guidance of £350m provided at the 2019 half year

Key Points: IFRS profits

- IFRS profit before tax was £369m (FY18: £86m loss), with the turnaround due to the improved operating result and positive economic variances
- Adjusted operating profit[3] was 4% higher at £219m in FY19, as positive operating variances and operating assumption changes offset lower new business profits
- New business operating profit[3] was down 25% to £182m in FY19. Lower new business margins were in line with expectations on lower volumes, reflecting our focus on capital discipline

Key Points: Developments since year-end

- We have entered into our second NNEG hedging transaction covering £670m of LTMs
- Completion of our first DB partnering deal of c.£250m
- The Group's capital coverage ratio has not been significantly affected by recent financial market volatility helped by increased interest rate hedging. Our capital coverage ratio at 10 March 2020 is estimated to have been 141% including management actions[4]

David Richardson, Group Chief Executive Officer, said:

"We have a clear focus on improving the Group's capital position and are making good progress. Despite operating in a tough environment we took big strides in 2019 to improve our organic capital generation and to reduce balance sheet risk. We achieved organic capital generation in the second half of the year and at the same time have accelerated our adoption of the new regulatory requirements at a lower cost than previously expected. Our capital coverage ratio would have grown to 156% if we had not recognised the £219m of regulatory capital strengthening. In the absence of any significant unhedged market movements, we would expect the capital coverage ratio to grow gradually from the 141% year-end level.

Although the focus since my appointment has been on capital, I have not lost sight of the key strengths which make Just such a great place to work. Our competitive advantage is underpinned by our deep understanding of customer needs in retirement. I have been hugely impressed by the commitment of the whole team.

Our preparations continue to ensure that we can serve our customers through the potential disruption if Coronavirus spreads more widely across the UK.

We have made significant progress in adapting the business model during 2019 and will continue this transformation during 2020. We are focussed on managing the business to maximise shareholder value and remain open to all options that will achieve this. I am hugely energised after my first nine months as CEO, and am determined that Just's strengths will be recognised in full by customers, intermediaries, colleagues and shareholders."

Notes

1. Organic capital generation/consumption includes surplus from in-force, new business strain, cost overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated transitional measures for technical provisions ("TMTP") amortisation and capital raising
2. Comparative figure is adjusted for notional TMTP recalculation
3. 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
4. Management actions completed since year-end include the notice to call Partnership Life Assurance Company Limited ("PLACL") debt, NNEG hedging and DB partnering

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A presentation for analysts will take place at 9.30am today at Deutsche Bank's offices at 75 London Wall (Auditorium), London, EC2N 2DB. A live webcast will also be available on www.justgroupplc.co.uk at 9:30am.

Due to security restrictions at the venue attendance is limited to those who have registered.

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 condition, performance, results, strategy and/or objectives.

Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, 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

Focussing on capital and value

CAPITAL IS THE GROUP'S NUMBER one priority

The changes we made to our business model have delivered positive organic capital generation in 2019 – a significant milestone on our journey to build a sustainable capital trajectory for the Group

I am delighted to present my first Chief Executive Officer's Statement, since I assumed the role in May 2019.

CAPITAL

We have a clear strategy focussed on improving the Group's capital position and we are making good progress in adapting our business model to achieve our strategic goals. Despite operating in a tough environment we took big strides in improving our organic capital generation and reducing balance sheet risks in 2019. We have halved the new business capital strain, reduced our property sensitivity, signed our first DB partnering deal and released capital through longevity reinsurance.

We achieved organic capital generation in the second half of the year and at the same time accelerated our adoption of the new regulatory requirements on LTMs. We recognised £219m of regulatory strengthening, sooner than we previously indicated.

The Solvency II capital coverage ratio has grown from 136% in 2018 to 141% in 2019 due to a significant boost from the £400m of new capital raised during the year. This more than offset the effect of the regulatory changes relating to LTMs. The ratio would have grown to 156%, if we had not recognised the £219m of regulatory capital strengthening. We estimate the remaining cost of fully implementing the revised regulatory requirements for LTMs by 2021 to be £80m.

We are committed to creating a sustainable capital trajectory, and during 2019 we have taken decisive action to help achieve this. We have taken steps to reduce our cost base, including reducing our property footprint and simplifying our senior management structure. We have outsourced our UK income drawdown service and closed our loss making US care unit. We are also working hard to improve results from our other Group companies, such as HUB.

We have now executed two pioneering property risk transactions which provide protection against prolonged, long term property underperformance. This reduces the amount of regulatory capital we hold for the LTMs covered by the transactions. These two transactions reduce our property risk on c. £900m of LTMs. We have a range of further capital tools to use, including additional de-risking through reinsurance and NNEG hedging, as well as utilising our debt capacity in due course, and increasingly from retaining the capital we are beginning to generate organically.

We are also making progress in creating a capital-light partnering model for DB de-risking transactions larger than £250m. Writing these larger transactions using mainly external capital provided by reinsurers enables us to play a part in this huge market and take fuller advantage of the strength of our award winning new business franchise. We have completed our first such transaction with the AA pension scheme.

During the year we restructured our internal LTM securitisation to meet the revised regulatory requirements of PS19/19 and PS31/18.

We are working closely with the PRA and although our regulatory position is much clearer than a year ago, regulatory scrutiny remains high and some uncertainty and risk remains.

PERFORMANCE REVIEW

We took decisive action to moderate and refocus sales in 2019, in order to reduce new business strain. Retirement Income sales for 2019 were £1,918.1m, a reduction of 12% from the prior year (2018: £2,173.5m). This led to a corresponding decrease in new business operating profit, from £243.7m to £182.0m.

The IFRS profit before tax for 2019 was £368.6m (2018: IFRS loss before tax of £85.5m) helped by falls in interest rates. Capital is our focus, but this is a strong IFRS result.

Our new business pricing discipline, the decision to reduce new business volumes and a focus on more capital efficient products more than halved our new business capital strain from £160m in 2018 to £74m in 2019.

The significant reduction in new business strain helped the Group to achieve positive organic capital generation of £36m in 2019. This is an excellent achievement, that I am committed to building on in future periods.

OUR CUSTOMERS

We are reviewing and adapting our business model to ensure that we continue to provide value to our customers, with appropriate levels of capital security. During 2019 we helped more than 70,000 new customers achieve a better later life.

We continue to view LTMs as a highly valuable product for borrowers who want to use the value of their house to support a higher standard of living in retirement. They also remain an important component of the assets that we invest in, enabling us to provide competitive pricing to our GIfL and DB De-risking customers.

We are delighted that our innovative customer focussed solutions and excellent customer service was again recognised in 2019. In the defined benefit market we were named “Risk Management Provider of the Year” at the Pensions Age Awards, and “Pensions Insurance Firm of the Year” at the European Pensions Awards. In the retail market we were awarded the outstanding achievement award and we achieved 5 stars in both the “Life & Pensions” and “Mortgage Lenders & Packagers” categories at the Financial Adviser Service Awards. Our new “Just for You” mortgage product was awarded “Best Innovation in Retail Finance” at the Retail Asset Management Awards.

Innovation

Although we are managing our costs carefully, we continue to invest selectively in developing new disruptive solutions that meet customer needs. We are piloting two exciting developments in 2020; one is to help close the financial advice gap for people in middle Britain with more modest pension savings; and the second is a highly innovative solution to deliver guaranteed income to retail investors who manage their portfolios on modern investment platforms.

COLLEAGUES

We are rightly proud of our award-winning service, and of our strong social purpose, which together deliver a “Just” experience to our customers day after day. Our colleagues are at the heart of this and I am grateful for the immense contribution they make to our business.

Coronavirus

Just Group is paying close attention to the epidemiology of the COVID-19 outbreak, which is now spreading in countries outside of China. If this occurs in the UK, we anticipate widespread disruption, which may affect our ability to deliver services from our existing office space. We are therefore upscaling our ability to deliver core business services from home, reducing the possibility of staff-to-staff transmission. We are also making plans to minimise the likelihood of transmission within our office space. Although the virus has not yet become widespread across the UK, it has already had a significant impact on financial markets. The impact on the Group’s financial and capital position to date has been limited as we do not hold equity investments and the Solvency II capital position is actively hedged to minimise the impact of movements in long-term interest rates.

AND FINALLY...

During 2019 we have prioritised capital, particularly our goal of achieving organic capital generation. We recognise that the regulatory landscape will continue to evolve and remain committed to ensuring that our business model continues to adapt to deliver optimum results for our customers and shareholders. In parallel, we remain open to all options that maximise shareholder value.

On a personal note, I was delighted to be asked to lead the Just Group at this challenging but exciting time.

DAVID RICHARDSON

Group Chief Executive Officer

Financial review

Delivering results

The Financial Review presents the results of the Group for the year ended 31 December 2019, including IFRS and Solvency II information

I am pleased to present my first Financial Review since joining the Group in January.

Capital management

Just Group plc estimated Solvency II capital position

The Group's solvency coverage ratio was estimated at 141% at 31 December 2019, after recalculation of transitional measures on technical provisions ("TMTP") (2018: 136% including notional recalculation of TMTP). Steps taken by the Group during the year to reduce new business strain and expenses and identify management actions to de-risk the balance sheet have led to positive organic capital generated of £36m. The new equity, Restricted Tier 1 and Tier 2 capital raised during the year benefitted capital resources by a net amount of £452m.

Unaudited	31 December 2019 £m	31 December 2018[1] £m
Capital resources		
Own funds	2,562	2,172
Solvency Capital Requirement	(1,814)	(1,595)
Excess own funds	748	577
Solvency coverage ratio	141%	136%

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

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 2019.

Unaudited	2019 £m	2018 £m
Excess own funds at 1 January	577	596
Operating		
In-force surplus net of TMTP amortisation[3]	150	125
New business strain	(74)	(160)
Finance cost	(47)	(31)
Expenses	(44)	(45)
Other	51	(54)
Total organic capital generation/(consumption)[2]	36	(165)
Non-operating		
Accelerated TMTP amortisation	(42)	(58)
Regulatory changes	(219)	–
Economic movements	(56)	(2)
RT1, T2 and equity issuance, net of costs[4]	452	230
Ordinary dividend	–	(24)
Excess own funds at 31 December	748	577

1 All figures are net of tax, and assumptions allow for a notional recalculation of TMTP as at 31 December 2018.

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

Organic capital generation

Positive £36m of organic capital generation is a significant improvement on the £165m of capital consumption in 2018. This reflects focussed new business pricing discipline, cost reductions and reinsurance which have halved new business strain. In-force surplus has continued to increase as the size of the in-force book grows, more than offsetting the increase in finance cost from the new debt instruments issued in the year. "Other" activities in the movement in excess own funds table includes the impact of basis changes, the expansion of DB reinsurance completed in August 2019, and internal model changes.

Regulatory Changes

The updated regulatory expectations for equity release mortgages set out in SS3/17 and PS19/19 have had a significant impact on the Group's capital position. Overall, the impact of these regulatory changes was a reduction in capital resources of £219m in 2019 with a further cost of £80m envisaged to fully meet the new requirements by end 2021.

Just has restructured and updated its internal Lifetime Mortgage ("LTM") securitisation to meet better the revised regulatory framework. The restructure was effected on 31 December 2019, and involved the redemption of existing notes and issuance of new LTM notes. The restructure removes much of the uncertainty on the level of matching adjustment ("MA") relating to LTMs in the regulatory balance sheet. Following the restructure Just passes the PRA effective value test ("EVT") with a material buffer (0.67%) over the minimum deferment rate of zero required at 31 December 2019. The SCR at the end of 2019 is also sufficient to cover our estimate of the impact of EVT in stress under PS19/19.

Our expectation for the future cost of moving by the end of 2021 to a MA position meeting the EVT with a volatility of 13% and deferment rate of 1%, is £80m. The £219m 2019 cost and £80m envisaged future cost compares to our £350m estimate at 30 June 2019. The regulatory changes of £219m in 2019 have had a negative impact of 15% on the Group's capital coverage ratio.

Whilst the Group continues to experience a high level of regulatory supervision, there is a risk of further negative impacts on the Group's capital position. We continue to work closely with the PRA on various aspects of our capital model, in particular as we apply the new regulatory requirements for LTMs.

Post year end actions

The impact on the Group's solvency position from actions since 31 December 2019 relate to calling the remaining £63m 9.5% PLACL Tier 2 debt, which will take place on 24 March 2020, and from the new no-negative equity guarantee ("NNEG") hedge and the DB partnering deals entered into since year-end.

	%
Solvency coverage ratio at 31 December 2019	141
PLACL debt call	(3)
Management actions since 31 December 2019	4
After post year-end adjustments	142

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

Estimated Group Solvency II sensitivities

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2019	141	748
-50 bps fall in interest rates	(3)	5
+100 bps credit spreads	1	10
+10% LTM early redemption	2	21
-10% property values[1]	(15)	(256)
-5% mortality	(10)	(183)

1 Pro forma after application of NNEG reinsurance.

The property sensitivity has reduced to 15% (2018: 17%) following the LTM notes restructuring and reflecting the impact of NNEG hedging. The Group aims to minimise its sensitivity to interest rates through the active use of hedges. For more significant movements some exposure remains. The interest rate and property sensitivities allow for a partial offset from a notional TMTP recalculation.

RECONCILIATION OF IFRS SHAREHOLDERS' NET EQUITY TO Solvency II own funds

Unaudited	31 December 2019 £m	31 December 2018[1] £m
Shareholders' net equity on IFRS basis	2,321	1,664
Goodwill	(34)	(34)
Intangibles	(120)	(137)
Solvency II risk margin	(873)	(851)
Solvency II TMTP	1,891	1,738
Other valuation differences and impact on deferred tax	(1,271)	(793)
Ineligible items	(35)	(6)
Subordinated debt	684	590
Group adjustments	(1)	1
Solvency II own funds	2,562	2,172
Solvency II SCR	(1,814)	(1,595)
Solvency II excess own funds	748	577

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

Alternative performance measures

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

Adjusted operating profit

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m	change %
New business operating profit	182.0	243.7	(25)
In-force operating profit	84.4	71.7	18
Underlying operating profit	266.4	315.4	(16)
Operating experience and assumption changes	42.2	(33.5)	N/A
Other Group companies' operating results	(13.1)	(14.6)	(10)
Development expenditure	(10.3)	(8.7)	18
Reinsurance and finance costs	(66.6)	(48.3)	38
Adjusted operating profit before tax[1]	218.6	210.3	4

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

Adjusted operating profit BEFORE TAX

Adjusted operating profit before tax of £218.6m increased by 4% in 2019 with continued growth in in-force operating profit and positive operating experience and assumption changes more than offsetting the reduced new business operating profit and higher financing costs.

New business operating profit

New business operating profit has decreased by 25%, from £243.7m in 2018 to £182.0m in 2019. This mainly reflects the planned decrease in the level of Retirement Income sales written, in order to reduce new business strain as part of the Group's commitment to improving capital efficiency. Retirement Income sales for 2019 were £1,918.1m (year ended 31 December 2018: £2,173.5m). The overall margin achieved on Retirement Income sales in 2019 was 9.5%, down from 11.2% in 2018. The reduction in margin for 2019 was expected, following the changes to IFRS property assumptions made at 31 December 2018, and the reduction in the LTM backing ratio for new business in order to reduce capital strain. Margins have improved slightly over the course of the year, with good resilience shown in light of the price increases to accommodate the LTM regulatory changes.

In-force operating profit

In-force operating profit has increased by 18% compared to the prior year, from £71.7m to £84.4m, reflecting growth in profit from the Group's growing in-force book of business, and the return on the Group's surplus assets.

Operating experience and assumption changes

Operating experience and assumption changes contributed a positive variance of £42.2m for 2019, compared to a negative variance of £33.5m in the prior year.

Operating experience variances resulted in a charge of £8.9m for 2019 (2018: £1.4m charge), of which £8.4m has arisen from adverse mortality and redemption experience on mortgages (after allowance for early redemption charges).

Operating assumption changes and other operating items were £51.1m positive overall. The Group has updated its maintenance and investment expense assumptions, leading to a positive contribution at 31 December 2019 of £55.4m, of which £26.1m relates to maintenance expense assumptions. The Group has also modelled allowances for LT M early redemption charges, which has given rise to a further positive contribution of £97.0m. These have been offset by a strengthening of the Group's LTM voluntary redemption assumptions to reflect recent adverse experience which has led to a £116.5m charge at 31 December 2019. Other items include improvements made to data, models and minor assumptions.

The prior year operating experience and assumption changes charge of £33.5m was mainly in relation to updates to the Group's mortality assumptions and mortgage voluntary redemptions assumptions at 31 December 2018.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £13.1m in 2019 compared to a loss of £14.6m in 2018. The benefit of actions taken during 2019 to reduce our cost base is starting to come through, with the full run-rate benefit expected in 2020. Included within this line item is the operating result for the HUB group of companies which generated a loss of £3.9m in 2019 but has made significant progress towards profitability during the year.

Development expenditure

Development expenditure mainly relates to product development and new initiatives. These include the Just for You Lifetime Mortgage range, which gives additional flexibility to take a cash lump sum, or release cash as and when it is needed from a pre-agreed facility, or to choose to service some or all of the monthly interest. The Secure Lifetime Income solution for investment platforms enables financial advisers to offer their clients a guaranteed income for life solution within a self invested personal pension. Both of these are now available to new customers. The development costs of less capital-intensive products, such as our new DB De-risking partnership business is also included here.

Reinsurance and finance costs

The increase in reinsurance and finance costs for the period relates to the coupon on the Group's £300m Restricted Tier 1 notes issued in March 2019, and the coupon on the Group's £125m Tier 2 notes. 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 2019 £m	Year ended 31 December 2018 £m	change %
Defined Benefit De-risking Solutions ("DB")	1,231.3	1,314.2	(6)
Guaranteed Income for Life Solutions ("GIfL")	615.7	786.5	(22)
Care Plans ("CP")	71.1	72.8	(2)
Retirement Income sales	1,918.1	2,173.5	(12)

As part of the Group's commitment to achieving organic capital generation, during 2019 we chose to write less new business in order to reduce new business capital strain. Retirement Income sales decreased by 12%, from £2,173.5m in 2018 to £1,918.1m in 2019, with reductions across all lines.

The defined benefit de-risking market remains strong and almost doubled in 2019, being estimated to exceed £40bn (2018: £24.2bn), driven by a number of very large transactions.

The Group closed its US care business during 2019, which had been loss-making.

Other new business sales

Lifetime Mortgage advances were £415.8m in 2019 (2018: £602.1m), a decrease of 31%. We chose to write less new business to conserve capital. In 2019, there was a reduction in the amount of new business advanced in the lifetime mortgage market compared to 2018. We believe some customers deferred their decisions to use a lifetime mortgage until the Brexit uncertainty was brought to a conclusion. We also observed increased competition in the first half of the year as market participants sought to secure new business volumes.

Following the publication of PS13/18, we chose to be more selective in the mortgages we advanced during 2019, 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.

Drawdown sales were £26.7m for the year (2018: £51.0m) and represented sales of the Group's Flexible Pension Plan ("FPP"). The FPP product was closed to new business from July 2019 and existing customers have been migrated to a third party platform.

Adjusted Earnings per share

Although total earnings were higher in 2019, share capital increased by 9.9% following the Group's capital raise in March. As a result, adjusted EPS (based on adjusted operating profit after attributed tax) has decreased slightly by 4% to 17.6 pence compared to the prior year.

	Year ended 31 December 2019	Year ended 31 December 2018
Adjusted earnings (£m)	177.1	170.3
Weighted average number of shares (million)	1,007.5	932.7
Adjusted EPS (pence)	17.6	18.3

Earnings per share

	Year ended 31 December 2019	Year ended 31 December 2018
Earnings (£m)	285.8	(63.7)
Weighted average number of shares (million)	1,007.5	932.7
EPS (pence)	28.4	(6.8)

Reconciliation of operating to statutory IFRS results

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

	31 December 2019 £m	31 December 2018 £m
Adjusted operating profit before tax	218.6	210.3
Non-recurring and project expenditure	(8.3)	(19.6)
Implementation of cost saving initiatives	(13.5)	–
Investment and economic profits/(losses)	173.8	(252.0)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16.8	–
Amortisation costs	(18.8)	(24.2)
IFRS profit/(loss) before tax	368.6	(85.5)

Non-recurring and project expenditure

Non-recurring and project expenditure, which includes significant one-off project spend associated with restructuring the Group's securitisation to meet the recent regulatory changes and to meet major new financial reporting requirements, was £8.3m for 2019 (2018: £19.6m). Non-recurring expenditure for 2019 includes costs associated with the equity placing, Restricted Tier 1 notes issuance, new Tier 2 notes issue and the tender for existing Tier 2 notes which were all undertaken during the year. Other project expenditure included in this category includes preparations for the new insurance accounting standard, IFRS 17, restructuring of the Group's internal LTM notes, and the costs of responding to the requirements of SS3/17, PS31/18 and PS19/19.
The costs of ongoing 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 significant cost savings initiated during the year to optimise the Group's business model and prioritise capital efficiency. During the year the Group rationalised its property footprint, reducing its Reigate office locations from three to two, and moved to more cost efficient London premises. We simplified our senior management structure and made improvements to our business processes to create long-term savings. As previously mentioned, we have also closed our US care business and outsourced our drawdown service. These actions have resulted in a 10% reduction in our full year 2019 recurring core management expenses, with a total saving of £16m. These savings are expected to reduce both acquisition and maintenance costs. We expect ongoing savings as new cost initiatives in 2020 drive further cost savings across the business.

Investment and economic profits/losses

Investment and economic profits for 2019 were £173.8m (2018: losses of £252.0m).

Investment and economic profits for 2019 include the benefit of a decrease in risk-free rates and a narrowing of credit spreads, partly offset by an actual property growth rate lower than the long-term expected rate. In contrast, during 2018, we experienced IFRS losses from increases in risk-free rates and widening credit spreads.

Investment and economic losses for 2018 included the impact of changes to the Group's IFRS property growth and volatility assumption, in particular the reduction of the property growth assumption from 4.25% to 3.8% and an increase in volatility assumptions from 12% to 13%, which gave rise to a £211m loss reported through this line in the prior period.

Once again there were no corporate bond defaults within our portfolio during the year (2018: 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 2019 £m	Year ended 31 December 2018 £m
Gross premiums written	1,921.0	2,176.9
Reinsurance premiums ceded	2.8	(8.0)
Reinsurance recapture	436.8	543.3
Net premium revenue	2,360.6	2,712.2
Net investment income	1,451.7	142.6
Fee and commission income	12.7	8.2
Total revenue	3,825.0	2,863.0
Net claims paid	(861.1)	(749.9)
Change in insurance liabilities	(2,237.8)	(1,689.0)
Change in investment contract liabilities	92.2	0.4
Acquisition costs	(35.2)	(52.4)
Other operating expenses	(227.8)	(254.8)
Finance costs	(186.7)	(202.8)
Total claims and expenses	(3,456.4)	(2,948.5)
Profit/(loss) before tax	368.6	(85.5)
Income tax	(66.2)	21.2
Profit/(loss) after tax	302.4	(64.3)

Gross premiums written

Gross premiums written for the year were £1,921.0m, a decrease of 12% compared to the prior year (2018: £2,176.9m). As discussed above, the year on year decrease reflects the Group's planned reduction in new business volumes in order to preserve capital.

Reinsurance recapture

The Group's subsidiary JRL has a number of quota share reinsurance treaties with financing arrangements, which allowed a capital benefit under the old Solvency I regime. These treaties were closed to new business prior to the introduction of Solvency II on 1 January 2016 but the Group retains a capital benefit under Solvency II from the financing arrangements under transitional arrangements. The treaties allow JRL to recapture business once the financing loan from the reinsurer has been repaid. During the year the Group has repaid financing and recaptured business in respect of certain underwriting years, resulting in a decrease of reinsurance assets of £436.8m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities in the statement of financial position. These movements are reflected in the statement of comprehensive income within Net premium revenue and Net claims paid respectively.

Net premium revenue

Net premium revenue decreased from £2,712.2m to £2,360.6m, driven by the reduction in gross premiums written, plus the impact of the reinsurance recaptures made during the year, and reinsurance premiums ceded.

Net investment income

Net investment income increased from £142.6m to £1,451.7m in 2019. 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. During 2019, risk free rates have decreased and credit spreads have narrowed, giving rise to unrealised gains on the Group's mortgage and corporate bond assets. This is in contrast to the prior year, where risk free rates increased and credit spreads widened, leading to unrealised losses.

Net claims paid

Net claims paid increased to £861.1m, from £749.9m in 2018, reflecting the growth of the in-force book.

Change in insurance liabilities

Change in insurance liabilities was £2,237.8m for the current year, compared to £1,689.0m in 2018. The increase compared to 2018 mainly reflects the growth in gross insurance liabilities due to the change in valuation interest rate, driven by the fall in risk-free rates as noted above.

Acquisition costs

Acquisition costs have decreased from £52.4m in 2018 to £35.2m in 2019, mainly as a result of the planned reduction in volumes of Retirement Income sales and LTM advances.

Other operating expenses

Other operating expenses decreased from £254.8m in 2018 to £227.8m for the current year. This reduction reflects the benefit of the cost-saving initiatives carried out during the year.

Finance costs

The Group's overall finance costs decreased from £202.8m in 2018 to £186.7m in 2019. The main driver relates to a reduction in reinsurance deposits (described in the notes), which have fallen in line with the planned recaptures made. This decrease has been partly offset by a full year's interest on the Group's Tier 3 loan notes issued in February 2018, and interest on the new Tier 2 loan notes issued in October 2019. Note that the coupon on the Group's Restricted Tier 1 notes is recognised as a capital distribution directly within equity and not within finance costs. This includes reinsurance finance costs as well as the core expense base.

Income tax

Income tax for the year ended 31 December 2019 was £66.2m (2018: tax credit of £21.2m), with an effective tax rate of 18.0% in line with corporation tax rates (2018: effective tax rate of 24.8%). The effective tax rate for the prior year was affected by one-off adjustments relating to the recognition of deferred tax in relation to tax overpaid in prior periods.

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.

Condensed consolidated statement of financial position

	31 December 2019 £m	31 December 2018[1] £m
Assets		
Financial investments	21,606.0	19,252.5
Reinsurance assets	3,732.0	4,239.2
Other assets	555.8	454.1
Total assets	25,893.8	23,945.8
Share capital and share premium	198.0	188.6
Other reserves	949.9	885.5
Accumulated profit and other adjustments	879.9	590.3
Total equity attributable to ordinary shareholders of Just Group plc	2,027.8	1,664.4
Tier 1 notes	294.0	–
Non-controlling interest	(0.8)	(0.6)
Total equity	2,321.0	1,663.8
Liabilities		
Insurance liabilities	19,003.7	17,273.8
Other financial liabilities	3,678.9	4,063.3
Insurance and other payables	72.6	78.3
Other liabilities	817.6	866.6
Total liabilities	23,572.8	22,282.0
Total equity and liabilities	25,893.8	23,945.8

Financial investments

During the year, financial investments increased by £2.4bn, from £19.3bn at 31 December 2018 to £21.6bn at 31 December 2019. The increase is mainly a result of investing the Group's new business premiums. The credit quality of the corporate bond portfolio remains high, with 58% of the Group's corporate bond and gilts portfolio rated A or above (2018: 60%) and continues to be well balanced across a range of industry sectors. At 31 December 2019 the Group's holding in liquidity funds was higher than in prior periods (2019: £1,384.0m, 2018: £882.5m), awaiting investment into corporate bonds and other fixed income assets. During the year the Group continued to increase its investment in private assets, including infrastructure loans and commodity trade finance. The loan-to-value ratio of the mortgage portfolio at 31 December 2019 was 34.3% (2018: 32.5%), and the percentage of lifetime mortgages reduced marginally to 36.9% of financial investments. The following table provides a breakdown by credit rating of financial investments.

	31 December 2019 £m	31 December 2019 %	31 December 2018 £m	31 December 2018 %
AAA[1]	2,319.3	10.7	1,798.9	9.3
AA[1] and gilts	1,500.4	6.9	1,799.8	9.3
A	3,345.0	15.5	3,151.1	16.4
BBB	4,791.1	22.2	4,072.0	21.1
BB or below	156.3	0.7	208.2	1.1
Other[2]	1,513.4	7.0	1,031.0	5.4
Lifetime mortgages	7,980.5	36.9	7,191.5	37.4
Total	21,606.0	100.0	19,252.5	100.0

1 Includes units held in liquidity funds.
2 Includes private rated bonds, internally rated assets and own-rated assets.

Economic, Social and Governance and investing

Just Group is a signatory to the United Nations Principles for Responsible Investment ("PRI"). We were the first UK insurer to do this. 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.

We are delighted our efforts have been recognised by satisfying the requirements to become a constituent of the FTSE4Good Index Series. The index is designed to measure the performance of companies demonstrating strong ESG practices.

Reinsurance assets

Reinsurance assets decreased from £4.2bn at 31 December 2018 to £3.7bn at 31 December 2019. The decrease relates to the impact of reinsurance recaptures made during the year, and to the receipt of reinsurers' share of claims paid during the year (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.

Other assets

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

Insurance liabilities

Insurance liabilities increased from £17.3bn at 31 December 2018 to £19.0bn at 31 December 2019. 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 interest rate as a result of the fall in risk-free rates during the year.

The sector analysis of the Group's financial investments portfolio at 31 December 2019 is shown below and continues to be well balanced across a variety of industry sectors.

	31 December 2019 £m	31 December 2019 %	31 December 2018 £m	31 December 2018 %
Basic materials	329.8	1.5	272.4	1.4
Communications	1,148.2	5.3	963.8	5.0
Auto manufacturers	446.6	2.1	319.4	1.7
Consumer	1,122.1	5.2	878.3	4.6
Energy	422.7	2.0	313.1	1.6
Banks	1,859.7	8.5	1,855.7	9.5
Derivatives and collateral	381.9	1.8	230.6	1.2
Insurance	724.2	3.4	733.9	3.8
Financial – other	876.7	4.1	936.3	4.9
Government	1,128.9	5.2	1,253.3	6.5
Industrial	628.6	2.9	447.4	2.3
Utilities	1,708.2	7.9	1,512.1	7.9
Liquidity funds	1,384.0	6.4	882.5	4.6
Lifetime mortgages	7,980.5	36.9	7,191.5	37.4
Commercial mortgages	494.5	2.3	392.3	2.0
Infrastructure loans	892.9	4.1	858.9	4.5
Other	76.5	0.4	211.0	1.1
Total	21,606.0	100.0	19,252.5	100.0

Other financial liabilities

Other financial liabilities decreased from £4.1bn at 31 December 2018 to £3.7bn at 31 December 2019. These liabilities are mainly reinsurance related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances. The change in the financial liability balance mainly reflects the reduction in deposits received from reinsurers, due to the reinsurance recaptures made in the year.

Insurance and other payables

Insurance and other payables decreased from £78.3m at 31 December 2018 to £72.6m at 31 December 2019.

Other liabilities

Other liability balances decreased from £866.6m at 31 December 2018 to £817.6m at 31 December 2019. Other liabilities includes £12.4m in relation to lease liabilities which has been recognised upon adoption of IFRS 16, (Leases), and which relates to the Group's leasehold buildings. A related right of use asset of £11.9m is included within property, plant and equipment.

IFRS net assets

The Group's total equity at 31 December 2019 was £2,321.0m, compared to £1,663.8m at 31 December 2018. 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 £1,664.4m to £2,027.8m resulting in net asset value ("NAV") per ordinary share of 196p (2018: 177p).

Dividends

Whilst the Group continues to build its capital position following the significant regulatory changes relating to equity release mortgages the Board considers it appropriate not to pay a final year dividend for 2019 (total 2018 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 developed to reflect our risk environment and emerging best practice. The framework, owned by the Group Board, covers all aspects of risk management, including risk governance, reporting and policies. Our appetite for different types of risk is embedded across the business to create a culture of confident risk taking.

Risk evaluation and reporting

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

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

Own Risk and Solvency Assessment

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

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	The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. The regulatory agenda for the coming year covers many areas directly relevant to the Group. The Prudential Regulation Authority ("PRA") published PS19/19, which follows on from PS31/18,	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

Risk	Description and impact	Mitigation and management action
Strategic objective 1,3,4,5 Change in the year No change Risk outlook No change	both of which updated SS3/17 in respect of the valuation of no-negative equity guarantees ("NNEG") in equity release mortgages ("ERMs"). The PRA's proposals took effect on 31 December 2019, subject to a two year phase-in period. The PRA has published CP22/19 which consults on their expectations of firms' compliance to the Prudent Person Principle with regard to managing investment risk. The Group are currently assessing the full implications and has responded to the consultation. The PRA also published CP23/19, consulting on their expectations of firms to undertake a robust risk identification exercise in respect of income producing real estate ("IPRE") lending and for the credibility of insurance firms' internal credit ratings of IPRE loans and other illiquid, unrated assets. The Group are currently assessing the full implications and has responded to the consultation. There has been an increase in regulatory focus on the issue of sustainable finance, particularly the impacts that climate change risks could have on the safety and soundness of firms and stability of the financial system. The PRA Supervisory Statement SS3/19 set out regulatory expectations about the management of the financial risks linked to climate change. The related PRA Policy Statement PS11/19 requires firms to set out plans for identifying and managing financial risks from climate change. Climate change could affect Just Group's financial risks in two key ways: (i) as investors increasingly consider sustainability in their investment choices this may restrict investment choice and compress yields in the existing investment universe; it may also create new opportunities to invest in assets that are perceived to be more sustainable; and (ii) increased physical risks such as flooding due to severe rainfall or tidal surges, wildfires, extreme windstorms or heatwaves leading to increased subsidence may affect the value of properties not seen as having such an exposure at present. This could affect our ability to recover the full balances of lifetime mortgages in light of the no-negative equity guarantee. The PRA and Financial Conduct Authority ("FCA") have issued several consultation papers on new requirements to strengthen operational resilience in the financial services sector. This is a key priority for the regulators and builds on the discussion paper issued last year. Just Group are currently reviewing the latest papers. There has been significant recent 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.	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 is addressing the expectations of the updated SS3/17 which came into effect on 31 December 2019, whilst maintaining the confidence of our stakeholders. This includes using our capital wisely. Any changes to the regulatory environment as a result of the UK's withdrawal from the EU are being monitored, notably with regard to Solvency II, although significant divergence is not expected. It is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group as it and its customers and policyholders are predominantly UK based. The outcome of the European Commission's review of Solvency II regulations may have an impact on how Solvency II continues to be applied in the UK even in a post-Brexit world. We are monitoring developments. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. In 2020 it expects to review the model to reflect changes in the risk profile of the balance sheet arising from the requirements of PS19/19 and other business developments. We participated in the PRA's 2019 Insurance Stress Test on our investments in publicly listed bonds in relation to climate change and we consider Environmental, Social & Governance (ESG) factors in all our investment analysis and decisions. Just is enhancing its ESG approach in its investment strategy. Just is implementing a plan to ensure that the potential impacts of climate change on the Group's financial risks are identified, assessed and monitored. The plan will also ensure the Group's risk management framework appropriately accommodates and reports on climate change-related risks. We intend to continue to actively monitory the academic and market debate concerning the valuation of no-negative equity guarantees.

Risk	Description and impact	Mitigation and management action
Risk B Risks from the economic environment Strategic objective 1,3,4,5 Change in the year Increase Risk outlook No change	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. An adverse economic environment (resulting, for example, from a COVID-19 pandemic impacting the global economy) 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. The lack of clarity regarding the UK's future trading arrangements with the EU has introduced material uncertainty for the UK's macro-economic outlook in the medium and long term. The Group remains exposed to impacts that the uncertainty around the UK's withdrawal has on the UK economy as a whole, including residential house prices – the UK's withdrawal from the EU could result in property values stagnating or falling. In an environment of low interest rates, investors may be more willing to accept higher credit and liquidity risk to improve investment returns. These conditions create additional competition for assets and make it more challenging to source sufficient assets to offer attractive DB de-risking and GIfL terms. Low credit spreads similarly affect the income that can be made available, although margins from our equity release portfolio help offset this risk. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's defined benefit de-risking business volumes grow, its exposure to inflation risk increases. A fall in residential property values could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the possible shortfall on the redemption of equity release mortgages also increases if property values drop. Conversely, significant future rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity and availability is also a risk to any need that the Group may have to raise capital.	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 specialist fund managers executing a diversified investment strategy in investment grade assets within counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors and classes of investment assets. Such diversification creates exposures to foreign exchange risk, which is controlled using derivative instruments. Derivative instruments are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements. The Group's exposure to inflation risk through the defined benefit de-risking business is managed with inflation hedges. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There is some short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels over both short term and long term and stress tests help us understand any potential periods of strain. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.

Risk	Description and impact	Mitigation and management action
Risk C Risks from our pricing assumptions Strategic objective 1,3,4 Change in the year No change Risk outlook No change	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 extensive underwritten mortality data to provide insights and enhanced understanding of the longevity risks that the Group chooses to take. 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. Some longevity risk exposure is transferred to reinsurers. The Group performs due diligence on our reinsurance partners and they undertake due diligence on the Group's approach to risk selection. The Group monitors its exposure to reinsurers on an ongoing basis. Exposure is managed through the posting and receipt of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group. The Group measures its counterparty exposure as the change in excess own funds above Solvency II SCR from a default of each individual counterparty. 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 Change in the year No change Risk outlook No change	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 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. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.	The Group maintains a suite of risk management tools to help identify, measure, monitor, manage and report its operational risks, including those arising from operational processes and IT systems. These include a risk management system, risk and control assessments, risk event management, loss reporting, scenario analysis and risk reporting through the ORSA. The Group maintains plans and controls to minimise the risk of business disruption due to information security or continuity related events including civil unrest and pandemics. Detailed incident and crisis management plans exist to ensure effective responses and these are supported by specialist third parties for our workplace recovery centre. Protecting our customers' interests is our top priority. Flexing the Group working arrangements in stressed times, such as during a pandemic, helps to ensure that our customers do not experience any material detriment. Our approach to information security is under constant review as the cyber-threat landscape evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. Just believes that every

Risk	Description and impact	Mitigation and management action
		member of staff has a duty of care to protect the data that they handle. Using federated models for data protection, resilience (business continuity) and information security, we operate a Group wide network of Data Protection Champions to promote awareness. The Group invests in tools to help identify, manage and report on data and cyber threats, including tools to monitor user access to sensitive data sets and the movement of data across the network. Using artificial intelligence and machine learning, these tools provide early warning of suspicious activity on IT systems. In 2019 the Group committed a significant additional spend on upper quadrant security related products deployed on end-points. Further investment has been made on core infrastructure such as firewalls and secure architecture, with pro-active monitoring by our specialist partner, responsible for managing our Security Operations Centre.
Risk E Risks from our chosen market environment Strategic objective 1,2,3,4 Change in the year Increase Risk outlook No change	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. Customers' need for a secure income in retirement continues and the Group expects that demand for guaranteed income for life solutions will continue. The availability to insurers of defined benefit de-risking transactions is expected to continue to grow. The equity release market has been dominated by a limited number of specialist providers, but new entrants – both providers and funders – have emerged along with new product launches and the intensity of competition has increased. The equity release asset class provides good cash flow matching for the Group's longer duration DB de-risking and GIfL liabilities, where suitable longer duration corporate or government bonds or other appropriate assets are less readily available. Customer needs and expectations continue to evolve and change in profile, and there is a risk that we fail to customise and tailor our professional services and distribution models to suit their specific requirements. Poor management of customer or distributor relationships as well as misleading customers or misrepresenting products to customers are also risks which could lead to regulatory censure as well as loss of customers.	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 gather customer insight and enhance our distribution services accordingly. In 2019 we have expanded the portfolio of partners for whom we provide GIfL broking services as well as including comparisons with closed book rates where life company partners offer these. Recognising the increased demands for advice from members of defined benefit pension schemes, our defined benefit member options business purchased last year has continued its safe growth in a highly regulated environment. We have developed and plan to launch in 2020 a pioneering and exciting fully advised online financial planning service targeted at people close to or in-retirement with modest pension savings. The service will provide the opportunity to receive tailor-made regulated financial advice without paying the costs associated with a traditional financial adviser.

Risk	Description and impact	Mitigation and management action
Risk F Risks to the group's reputation Strategic objective 1,2,3,4,5 Change in the year Increase Risk outlook Increase	Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we intend to conduct our business and treat our customer and wider stakeholder groups. The Group's reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny. Additionally, the Group's reputation could be threatened by external risks such as regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate.	The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide to our customers. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Gross premiums written	6	1,921.0	2,176.9
Reinsurance premiums ceded		2.8	(8.0)
Reinsurance recapture		436.8	543.3
Net premium revenue		2,360.6	2,712.2
Net investment income	2	1,451.7	142.6
Fee and commission income	6	12.7	8.2
Total revenue		3,825.0	2,863.0
Gross claims paid		(1,247.5)	(1,185.3)
Reinsurers' share of claims paid		386.4	435.4
Net claims paid		(861.1)	(749.9)
Change in insurance liabilities:			
Gross amount		(1,730.6)	(642.9)
Reinsurers' share		(70.4)	(502.8)
Reinsurance recapture		(436.8)	(543.3)
Net change in insurance liabilities		(2,237.8)	(1,689.0)
Change in investment contract liabilities	23	92.2	0.4
Acquisition costs	3	(35.2)	(52.4)
Other operating expenses	4	(227.8)	(254.8)
Finance costs	5	(186.7)	(202.8)
Total claims and expenses		(3,456.4)	(2,948.5)
Profit/(loss) before tax	6	368.6	(85.5)
Income tax	7	(66.2)	21.2
Profit/(loss) for the year		302.4	(64.3)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7,14	–	4.4
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(0.2)	(0.4)
Other comprehensive (loss)/income for the year, net of income tax		(0.2)	4.0
Total comprehensive income/(loss) for the year		302.2	(60.3)
Profit/(loss) attributable to:			
Equity holders of Just Group plc		302.6	(63.7)
Non-controlling interest	35	(0.2)	(0.6)
Profit/(loss) for the year		302.4	(64.3)
Total comprehensive income/(loss) attributable to:			
Equity holders of Just Group plc		302.4	(59.7)
Non-controlling interest	35	(0.2)	(0.6)
Total comprehensive income/(loss) for the year		302.2	(60.3)
Basic earnings per share (pence)	11	28.37	(6.83)
Diluted earnings per share (pence)	11	28.00	(6.83)

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

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	20	9.4	–	–	64.4	–	–	–	73.8	–	–	73.8
Tier 1 notes issued (net of costs)	21	–	–	–	–	–	–	–	–	294.0	–	294.0
Dividends	12	–	–	–	–	–	–	(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

Year ended 31 December 2018	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	Non-controlling interest £m	Total £m
At 1 January 2018		93.8	94.2	348.4	532.7	–	(5.0)	676.4	1,740.5	–	1,740.5
Loss for the year		–	–	–	–	–	–	(63.7)	(63.7)	(0.6)	(64.3)
Other comprehensive income/(loss) for the year, net of income tax		–	–	–	–	4.4	–	(0.4)	4.0	–	4.0
Total comprehensive income/(loss) for the year		–	–	–	–	4.4	–	(64.1)	(59.7)	(0.6)	(60.3)
Contributions and distributions											
Shares issued	20	0.3	0.3	–	–	–	–	–	0.6	–	0.6
Dividends	12	–	–	–	–	–	–	(24.4)	(24.4)	–	(24.4)
Share-based payments		–	–	–	–	–	(1.2)	8.6	7.4	–	7.4
Total contributions and distributions		0.3	0.3	–	–	–	(1.2)	(15.8)	(16.4)	–	(16.4)
At 31 December 2018		94.1	94.5	348.4	532.7	4.4	(6.2)	596.5	1,664.4	(0.6)	1,663.8

1 Includes currency translation reserve.

The notes are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 £m	2018 £m
Assets			
Intangible assets	13	154.4	171.0
Property, plant and equipment	14	26.8	21.4
Financial investments	15	21,606.0	19,252.5
Investment in joint ventures and associates		–	0.3
Reinsurance assets	22	3,732.0	4,239.2
Deferred tax assets	17	11.5	18.6
Current tax assets		–	42.1
Prepayments and accrued income		70.6	67.9
Insurance and other receivables	18	25.5	18.9
Cash and cash equivalents	19	267.0	113.9
Total assets		25,893.8	23,945.8
Equity			
Share capital	20	103.5	94.1
Share premium	20	94.5	94.5
Reorganisation reserve		348.4	348.4
Merger reserve	20	597.1	532.7
Revaluation reserve	14,17	4.4	4.4
Shares held by trusts		(6.0)	(6.2)
Accumulated profit		885.9	596.5
Total equity attributable to owners of Just Group plc		2,027.8	1,664.4
Tier 1 notes	21	294.0	–
Non-controlling interest	35	(0.8)	(0.6)
Total equity		2,321.0	1,663.8
Liabilities			
Insurance liabilities	22	19,003.7	17,273.8
Investment contract liabilities	23	54.0	197.8
Loans and borrowings	24	660.0	573.4
Lease liabilities	25	12.4	–
Other financial liabilities	26	3,678.9	4,063.3
Deferred tax liabilities	17	26.3	32.2
Other provisions	29	1.8	0.7
Current tax liabilities		10.2	3.5
Accruals and deferred income		52.9	59.0
Insurance and other payables	30	72.6	78.3
Total liabilities		23,572.8	22,282.0
Total equity and liabilities		25,893.8	23,945.8

The notes are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash flows from operating activities			
Profit/(loss) before tax		368.6	(85.5)
Loss on revaluation of land and buildings	14	–	2.9
Depreciation of property and equipment	14	4.5	1.4
Impairment of property and equipment	14	4.0	–
Amortisation of intangible assets	13	19.9	24.7
Loss on disposal of associated undertaking	35	0.3	–
Share-based payments		4.2	7.4
Interest income	2	(663.0)	(655.2)
Interest expense	5	186.7	202.8
Increase in financial investments		(1,404.0)	(720.2)
Decrease in reinsurance assets		507.2	1,046.1
Increase in prepayments and accrued income		(2.7)	(11.4)
(Increase)/decrease in insurance and other receivables		(4.2)	25.1
Increase in insurance liabilities		1,729.9	640.8
Decrease in investment contract liabilities		(143.8)	(22.9)
Decrease in deposits received from reinsurers		(489.5)	(875.7)
(Decrease)/increase in accruals and deferred income		(5.7)	10.4
Decrease in insurance and other payables		(5.7)	(7.2)
Decrease in other creditors		(44.3)	(91.2)
Interest received		364.3	375.9
Interest paid		(139.1)	(159.2)
Taxation paid		(14.9)	(36.5)
Net cash inflow/(outflow) from operating activities		272.7	(327.5)
Cash flows from investing activities			
Additions to internally generated intangible assets	13	(3.3)	(2.2)
Acquisition of property and equipment	14	(1.4)	(0.8)
Net cash outflow from investing activities		(4.7)	(3.0)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	20	73.8	0.6
Proceeds from issue of Tier 1 notes (net of costs)	21	292.7	–
Increase in borrowings (net of costs)	24	83.9	228.5
Dividends paid	12	(0.2)	(24.4)
Coupon paid on Tier 1 notes	12	(16.8)	–
Interest paid on borrowings		(43.7)	(37.1)
Payment of lease liabilities	25	(3.1)	–
Net cash inflow from financing activities		386.6	167.6
Net increase/(decrease) in cash and cash equivalents		654.6	(162.9)
Cash and cash equivalents at 1 January		996.4	1,159.3
Cash and cash equivalents at 31 December		1,651.0	996.4
Cash available on demand		267.0	113.9
Units in liquidity funds		1,384.0	882.5
Cash and cash equivalents at 31 December	19	1,651.0	996.4

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 Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey, RH2 7RU.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union effective for accounting periods commencing on or before 1 January 2019 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2019 or 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts. Their report 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 the capital note which discloses the matters also covered in note 34 to this results announcement. Their report for the year ended 31 December 2018 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 2018 statutory accounts.

As part of their assessment of going concern at 31 December 2019, the Directors have considered matters currently under development by the PRA. These include the impact of the updated regulatory expectations set out in SS3/17 "Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages" and PS19/19 "Solvency II: Equity release mortgages – Part 2", under which the Group restructured and updated its internal Lifetime Mortgage ("LTM") securitisation. A restructure was effected on 31 December 2019 which involved a redemption of existing notes, and a restructuring and issuance of new LTM notes. The restructure removes much of the uncertainty on the level of matching adjustment relating to LTMs in the regulatory balance sheet. The Board considers, including having considered the matters below, that there is no material uncertainty in relation to going concern at 31 December 2019.

The Directors have considered the following in their assessment:

- The benefit of the equity, Restricted Tier 1 and Tier 2 capital raised during 2019, a total of £500m new capital (before issue costs), £100m of which is being used to re-finance the Partnership Life Assurance Company Limited 9.5% Tier 2 loan notes.
- Steps to improve capital efficiency during 2019, including reduction in new business volumes and cost saving initiatives.
- The projected liquidity position of the Group, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.
- Eligible own funds being in excess of minimum capital requirements in stressed scenarios, including no further capital strengthening and reduced new business volumes.
- The findings of the 2019 Group Own Risk and Solvency Assessment ("ORSA").
- Risks arising from the UK's withdrawal from the European Union.
- 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. Such testing includes assessment of the impact of a property price shock on the Group, given that the Group holds a significant proportion of its assets in Lifetime Mortgages.
- Scenarios, including those in the ORSA, where the Company 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 plan, which was approved by the Board in the first quarter of 2020, and in particular the forecast regulatory solvency position calculated on a Solvency II basis, which includes the impact of SS3/17 and PS 19/19 outlined above, together with regular updates to the Group's Capital Plan.

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.

The following new accounting standards, interpretations and amendments to existing accounting standards have been adopted by the Group with effect from 1 January 2019:

- IFRS 16, Leases (effective 1 January 2019).

The Group has adopted IFRS 16, Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. On transition to IFRS 16, the Group elected to apply IFRS 16 only to contracts that were previously identified as leases under the previous accounting standard, IAS 17. The IFRS 16 definition of a lease will only be applied to contracts entered into on or after 1 January 2019.

The Group recognises right-of-use assets and lease liabilities for all leased assets except those of low value. Lease payments associated with low value leases are recognised as an expense on a straight-line basis over the lease term. The Group presents right-of-use assets within property, plant and equipment, and presents lease liabilities on the face of the statement of financial position.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. 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 lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied judgement to determine the lease term for contracts which include renewal options or break clause options. The determined lease term reflects those options where the Group assesses the likelihood of those options being exercised to be reasonably certain.

On transition to IFRS 16, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 of 2.5%. Right-of-use assets were measured at an amount equal to the lease liability.

The impact on transition is as follows:

	1 January 2019 £m
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	(13.3)
Discounted at the incremental borrowing rate at 1 January 2019	(12.2)
Break clauses reasonably certain to be exercised	2.6
Lease liabilities recognised on transition to IFRS 16	(9.6)
Right-of-use asset presented in property, plant and equipment on transition to IFRS 16	9.6
Retained earnings	–

During the year the Group has recognised £2.8m of depreciation charges and £0.3m of interest costs from these leases.

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

- IFRS 17, Insurance Contracts (not yet endorsed by the EU).

Since May 2017, when the draft standard was issued with an effective date of 1 January 2021, the IASB has in June 2019 issued a further Exposure draft including an extension of effective date to 1 January 2022, and in March 2020, the IASB's Board will consider a further extension of the effective date.

IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their valuation, income statement presentation and disclosure. The Group initiated a project in 2017 to develop measurement and reporting systems and processes which will apply to all of the Group's insurance business. The main feature of the standard applicable to annuities is the deferment of recognition of premium revenues with recognition over the life of contracts. The impact of IFRS 17 continues to be assessed but it is anticipated there is likely to be a significant change relating to the measurement and presentation of insurance contracts in the Group's statutory reporting.

The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective. There are no other new accounting standards or amendments to existing accounting standards relevant to the Group effective from 1 January 2019.

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.

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, 16(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 16 under 'Loans secured by residential mortgages'.
1.19, 22, 21	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.
1.21, 22(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. 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. Further detail can be found in note 22.

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 Office 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 6, Segmental reporting);
- the arranging of guaranteed income for life contracts and lifetime mortgages through regulated advice and intermediary services; and
- the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

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

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

1.5 Foreign currencies

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

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

1.6 Classification of insurance and investment contracts

The measurement and presentation of assets, liabilities, income and expenses arising from life and pensions business contracts 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 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.

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 gilts in respect of derivative contracts. 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. The fair values are obtained from quoted market prices or, if these are not available, by using standard valuation techniques based on discounted cash flow models or option pricing models. 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.

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 28 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. 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.

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 Net investment income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest income:		
Assets at fair value through profit or loss	663.0	655.2
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	658.8	(447.3)
Derivative financial instruments (note 27)	129.9	(65.3)
Total net investment income	1,451.7	142.6

3 Acquisition costs

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Commission	14.8	19.2
Other acquisition expenses	20.4	33.2
Total acquisition costs	35.2	52.4

4 Other operating expenses

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Personnel costs (note 9)	108.0	118.7
Investment expenses and charges	13.9	16.3
Depreciation of equipment	4.5	1.4
Operating lease rentals: land and buildings	–	2.4
Amortisation of intangible assets	19.9	24.7
Impairment of property, plant and equipment	4.0	–
Other costs	77.5	91.3
Total other operating expenses	227.8	254.8

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

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Fees payable for the audit of the Parent Company and consolidated accounts	250	125
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	950	885
Corporate finance services	95	1,155
Audit-related assurance services	710	653
Other assurance services	218	222
Auditor remuneration	2,223	3,040

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.

5 Finance costs

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on deposits received from reinsurers	139.0	159.2
Interest payable on subordinated debt	44.0	39.9
Other interest payable	3.7	3.7
Total finance costs	186.7	202.8

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

6 Segmental reporting

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 (including the properties underlying the LTMs), 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 2019			Year ended 31 December 2018		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business operating profit	182.0	–	182.0	243.7	–	243.7
In-force operating profit	82.6	1.8	84.4	69.2	2.5	71.7
Underlying operating profit	264.6	1.8	266.4	312.9	2.5	315.4
Operating experience and assumption changes	42.2	–	42.2	(33.5)	–	(33.5)
Other Group companies' operating results	–	(13.1)	(13.1)	–	(14.6)	(14.6)
Development expenditure	(7.1)	(3.2)	(10.3)	(6.4)	(2.3)	(8.7)
Reinsurance and financing costs	(61.5)	(5.1)	(66.6)	(45.8)	(2.5)	(48.3)
Adjusted operating profit before tax	238.2	(19.6)	218.6	227.2	(16.9)	210.3
Non-recurring and project expenditure	(3.8)	(4.5)	(8.3)	(4.3)	(15.3)	(19.6)
Implementation of cost saving initiatives	(13.3)	(0.2)	(13.5)	–	–	–
Investment and economic profits/(losses)	173.7	0.1	173.8	(251.0)	(1.0)	(252.0)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	14.0	2.8	16.8	–	–	–
Profit/(loss) before amortisation costs and tax	408.8	(21.4)	387.4	(28.1)	(33.2)	(61.3)
Amortisation costs			(18.8)			(24.2)
Profit/(loss) before tax			368.6			(85.5)

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £1,450.2m arose from the insurance segment and £1.5m arose from other segments (2018: £141.3m and £1.3m respectively). Segmental fee and commission income is presented in the disaggregation of revenue from contracts with customers 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 2019 £m	Year ended 31 December 2018 £m
Defined Benefit De-risking Solutions ("DB")	1,231.3	1,314.2
Guaranteed Income for Life contracts ("GIfL")	615.7	786.5
Care Plans ("CP")	71.1	72.8
Protection	2.9	3.4
Gross premiums written	1,921.0	2,176.9

Drawdown and 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 2019 £m	Year ended 31 December 2018 £m
Drawdown	26.7	51.0
LTM loans advanced	415.8	602.1

Reconciliation of gross premiums written to Retirement Income sales

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Gross premiums written	1,921.0	2,176.9
Protection sales not included in Retirement Income sales	(2.9)	(3.4)
Retirement Income sales	1,918.1	2,173.5

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2019			Year ended 31 December 2018		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
Product/service						
LTM set-up fees	0.2	–	0.2	0.5	–	0.5
LTM commission and advice fees	–	1.7	1.7	–	1.7	1.7
GIfL commission	–	4.4	4.4	–	1.8	1.8
FPP fees	0.7	0.2	0.9	0.6	0.1	0.7
DB fees	0.6	–	0.6	–	–	–
Other	0.5	4.4	4.9	0.4	3.1	3.5
	2.0	10.7	12.7	1.5	6.7	8.2
Timing of revenue recognition						
Products transferred at point in time	1.3	10.3	11.6	0.9	6.4	7.3
Products and services transferred over time	0.7	0.4	1.1	0.6	0.3	0.9
Revenue from contracts with customers	2.0	10.7	12.7	1.5	6.7	8.2

All revenue from contracts with customers is from the UK.

7 Income tax

Income tax recognised in profit or loss

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Current taxation		
Current year	67.9	(9.8)
Adjustments in respect of prior periods	(2.9)	2.1
Total current tax	65.0	(7.7)
Deferred taxation		
Origination and reversal of temporary differences	1.8	(12.9)
Adjustments in respect of prior periods	(0.5)	(0.9)
Rate change	(0.1)	0.3
Total deferred tax	1.2	(13.5)
Total income tax recognised in profit or loss	66.2	(21.2)

Changes to the UK corporation tax rates reducing the main rate to 17% from 1 April 2020 were substantively enacted on 6 September 2016. This change will reduce the Group's future tax charge accordingly. Deferred taxes have been measured using the enacted tax rates at the balance sheet date.

The deferred tax assets and liabilities at 31 December 2019 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 2019 £m	Year ended 31 December 2018 £m
Profit/(loss) on ordinary activities before tax	368.6	(85.5)
Income tax at 19% (2018: 19%)	70.0	(16.2)
Effects of:		
Expenses not deductible for tax purposes	1.1	1.0
Rate change	(0.2)	0.1
Higher rate for overseas income	(0.3)	(0.3)
Unrecognised deferred tax asset	1.8	1.3
Losses utilised/carried back	–	(0.1)
Adjustments in respect of prior periods	(3.4)	1.2
Deferred tax not previously recognised	–	(9.1)
Relief on Tier 1 interest included in equity	(3.2)	–
Other	0.4	0.9
Total income tax recognised in profit or loss	66.2	(21.2)

Income tax recognised in other comprehensive income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Deferred taxation		
Revaluation of land and buildings	–	0.9
Total deferred tax	–	0.9
Total income tax recognised in other comprehensive income	–	0.9

The tax adjustments in respect of prior periods represent agreements with HMRC in respect of prior years' enquiries.

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 2019 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2018: £2.5m).

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

8 Remuneration of Directors

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £2.7m (2018: £4.4m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2018: £nil). The aggregate net value of share awards granted to the Directors in the year was £1.1m (2018: £2.7m). 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 (2018: two Directors exercised options with an aggregate gain of £5k).

9 Staff numbers and costs

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

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Directors	7	9
Senior management	118	120
Staff	955	1,007
Average number of staff	1,080	1,136

The aggregate personnel costs were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Wages and salaries	89.7	96.6
Social security costs	8.9	9.0
Other pension costs	4.2	4.3
Share-based payment expense	5.2	8.8
Total personnel costs	108.0	118.7

The Company does not have any employees.

10 Employee benefits

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £4.2m (2018: £4.3m).

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 2019 Number of options	Year ended 31 December 2018 Number of options
Outstanding at 1 January	17,595,308	15,736,774
Granted	4,755,178	4,498,115
Forfeited	(2,402,172)	(23,303)
Exercised	(2,567,282)	(357,912)
Expired	(2,184,689)	(2,258,366)
Outstanding at 31 December	15,196,343	17,595,308
Exercisable at 31 December	3,255,678	3,203,315
Weighted-average share price at exercise (£)	0.54	1.11
Weighted-average remaining contractual life (years)	1.15	1.13

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

During the year to 31 December 2019, awards of LTIPs were made on 16 May 2019. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the LTIP are as follows:

Fair value at grant date	£0.51
Option pricing models used	Black-Scholes, Stochastic, Finnerty
Share price at grant date	£0.60
Exercise price	Nil
Expected volatility – TSR performance	40.03%
Expected volatility – holding period	43.48%
Option life	2-3 years + 2 year holding period
Dividends	Nil
Risk-free interest rate – TSR performance	0.70%
Risk-free interest rate – holding period	0.81%

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 2019 Number of options	Year ended 31 December 2018 Number of options
Outstanding at 1 January	3,864,558	2,959,716
Granted	1,635,528	925,734
Forfeited	(503,412)	–
Exercised	(708,981)	(20,892)
Outstanding at 31 December	4,287,693	3,864,558
Exercisable at 31 December	1,656,365	1,641,831
Weighted-average share price at exercise (£)	0.60	0.74
Weighted-average remaining contractual life (years)	0.94	1.02

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

During the year to 31 December 2019, awards of DSBPs were made on 28 March 2019. 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	£0.62
Option pricing model used	Black-Scholes
Share price at grant date	£0.62
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 2019		Year ended 31 December 2018	
	Number of options	Weighted-average exercise price £	Number of options	Weighted-average exercise price £
Outstanding at 1 January	4,556,383	1.12	4,401,381	1.12
Granted	10,313,555	0.52	1,544,255	1.18
Forfeited	(366,991)	0.74	(348,098)	1.13
Cancelled	(4,146,082)	0.99	(632,207)	1.13
Exercised	–	–	(285,347)	1.24
Expired	(403,677)	1.20	(123,601)	1.25
Outstanding at 31 December	9,953,188	0.56	4,556,383	1.12
Exercisable at 31 December	189,815	0.73	69,981	1.36
Weighted-average share price at exercise		–		1.42
Weighted-average remaining contractual life (years)		2.61		2.01

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

	2019 Number of options outstanding	2018 Number of options outstanding
£0.52	9,242,042	–
£1.07	387,498	2,581,382
£1.13	36,135	81,640
£1.18	268,604	1,335,184
£1.20	–	445,922
£1.27	12,791	61,973
£1.47	6,118	50,282
Total	9,953,188	4,556,383

During the year to 31 December 2019, awards of SAYEs were made on 8 May 2019. 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	£0.26
Option pricing model used	Black-Scholes
Share price at grant date	£0.66
Exercise price	£0.52
Expected volatility – 3 year scheme	44.64%
Expected volatility – 5 year scheme	40.56%
Option life	3.32 or 5.32 years
Dividends	Nil
Risk-free interest rate – 3 year scheme	0.74%
Risk-free interest rate – 5 year scheme	0.84%
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 2019 £m	Year ended 31 December 2018 £m
Equity-settled schemes	5.2	8.8
Total expense	5.2	8.8

11 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 2019			Year ended 31 December 2018		
	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	302.6			(63.7)		
Coupon payments in respect of Tier 1 notes (net of tax)	(16.8)			–		
Profit attributable to ordinary equity holders of Just Group plc (Basic)[1]	285.8	1,007.5	28.37	(63.7)	932.7	(6.83)
Effect of potentially dilutive share options	–	13.1	(0.37)	–	–	–
Diluted	285.8	1,020.6	28.00	(63.7)	932.7	(6.83)

1 The weighted-average number of share options in 2018 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 12.9 million share options.

12 Dividends

Dividends paid in the year were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Final dividend:		
– in respect of the year ended 31 December 2017 (2.55 pence per share, paid on 25 May 2018)	–	23.8
Dividends paid on the vesting of employee share schemes	0.2	0.6
Total dividends paid	0.2	24.4
Coupon payments in respect of Tier 1 notes[1]	16.8	–
Total distributions to equity holders in the period	17.0	24.4

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 it appropriate not to pay a final year dividend for 2019 (2018: nil)

13 Intangible assets

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

Year ended 31 December 2018	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 2018	33.9	200.0	26.6	5.6	7.4	25.4	2.0	300.9
Additions	1.0	–	–	–	0.5	0.7	–	2.2
At 31 December 2018	34.9	200.0	26.6	5.6	7.9	26.1	2.0	303.1
Amortisation and impairment								
At 1 January 2018	(0.8)	(54.0)	(22.4)	(5.6)	(1.4)	(21.2)	(2.0)	(107.4)
Charge for the year	–	(17.9)	(3.3)	–	(0.6)	(2.9)	–	(24.7)
At 31 December 2018	(0.8)	(71.9)	(25.7)	(5.6)	(2.0)	(24.1)	(2.0)	(132.1)
Net book value at 31 December 2018	34.1	128.1	0.9	–	5.9	2.0	–	171.0
Net book value at 31 December 2017	33.1	146.0	4.2	–	6.0	4.2	–	193.5

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 2019 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:

	2019	2018
Period on which management approved forecasts are based	5 years	5 years
Discount rate (pre-tax)	10.3%	10.0%

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 profits based on historical experience, expected growth rates and assumptions around market share, customer numbers, expense inflation and mortality rates. A stressed scenario that assumes no growth in sales for the next five years and discount rate of 20% is also considered. The outcome of the impairment assessment under both scenarios 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 and net assets.

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

14 Property, plant and equipment

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 and impairment					
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 of 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

Year ended 31 December 2018	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 2018	16.6	6.0	5.7	–	28.3
Acquired during the year	–	0.8	–	–	0.8
Disposed of during the year	1.3	–	–	–	1.3
At 31 December 2018	17.9	6.8	5.7	–	30.4
Depreciation				–	
At 1 January 2018	(0.7)	(5.1)	(2.9)	–	(8.7)
Eliminated on revaluation	1.1	–	–	–	1.1
Charge for the year	(0.5)	(0.5)	(0.4)	–	(1.4)
At 31 December 2018	(0.1)	(5.6)	(3.3)	–	(9.0)
Net book value at 31 December 2018	17.8	1.2	2.4	–	21.4
Net book value at 31 December 2017	15.9	0.9	2.8	–	19.6

Included in freehold land and buildings is land of value £4.4m (2018: £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 15 November 2018 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 was undertaken by a RICS registered valuer. 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 2018 comprise a loss of £2.9m recognised in profit or loss, a gain of £5.3m recognised in other comprehensive income (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.1m.

Right-of-use assets are property assets leased by the Group (see note 25). Impairments arising in the year relate to onerous property leases resulting from the Group's rationalisation of its office locations.

15 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	
	2019 £m	2018 £m	2019 £m	2018 £m
Units in liquidity funds	1,384.0	882.5	1,384.0	882.5
Investment funds	137.3	182.0	137.2	182.8
Debt securities and other fixed income securities	10,387.8	9,518.3	9,696.8	8,858.5
Deposits with credit institutions	104.6	153.4	104.6	153.4
Derivative financial assets	237.0	81.2	–	–
Loans secured by residential mortgages	7,980.5	7,191.5	4,778.3	4,847.6
Loans secured by commercial mortgages	494.5	392.3	477.8	385.9
Other loans	880.3	749.1	795.0	711.8
Recoveries from reinsurers on investment contracts	–	102.2	–	101.2
Total	21,606.0	19,252.5	17,373.7	16,123.7

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 £103.1m (2018: £152.6m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

16 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.

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 2019 (2018: nil).

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

	2019				2018			
	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	1,378.0	6.0	–	1,384.0	877.7	4.8	–	882.5
Investment funds	–	25.5	111.8	137.3	–	112.2	69.8	182.0
Debt securities and other fixed income securities	984.5	8,674.1	729.2	10,387.8	918.0	7,984.3	616.0	9,518.3
Deposits with credit institutions	103.1	1.5	–	104.6	152.6	0.8	–	153.4
Derivative financial assets	–	233.0	4.0	237.0	1.8	79.4	–	81.2
Loans secured by residential mortgages	–	–	7,980.5	7,980.5	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	–	–	494.5	494.5	–	–	392.3	392.3
Other loans	4.1	40.3	835.9	880.3	–	25.9	723.2	749.1
Recoveries from reinsurers on investment contracts	–	–	–	–	–	–	102.2	102.2
Total	2,469.7	8,980.4	10,155.9	21,606.0	1,950.1	8,207.4	9,095.0	19,252.5
Liabilities held at fair value								
Investment contract liabilities	–	–	54.0	54.0	–	–	197.8	197.8
Derivative financial liabilities	–	248.4	–	248.4	–	178.3	–	178.3
Obligations for repayment of cash collateral received	62.8	–	–	62.8	3.2	0.2	–	3.4
Deposits received from reinsurers	–	–	2,417.7	2,417.7	–	–	2,443.5	2,443.5
Other financial liabilities	62.8	248.4	2,471.7	2,782.9				
Loans and borrowings at amortised cost	–	998.2	–	998.2	–	618.1	–	618.1
Total	62.8	1,246.6	2,471.7	3,781.1	3.2	796.6	2,641.3	3,441.1

(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 transfers from Level 2 to Level 1 were £570.7m (2018: £485.7m). Transfers from Level 2 to Level 3 include debt securities for which there is no longer observable prices and derivative financial assets for which current market values after the initial trade are not available. The transfer from Level 3 to Level 2 in the year ended 31 December 2018 followed a change in the availability of market prices for specific bonds.

(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 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.

Year ended 31 December 2018	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 2018	–	740.5	–	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)
Purchases/advances/deposits	79.0	78.1	–	602.1	177.8	295.5	54.6	(51.0)	(20.2)
Transfers to Level 2	–	(158.3)	–	–	–	–	–	–	–
Sales/redemptions/payments	(9.7)	(26.6)	–	(297.2)	(18.0)	(4.7)	(24.5)	73.5	227.7
Realised gains and losses recognised in profit or loss within net investment income	–	(2.4)	–	78.7	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income[1]	–	(9.7)	–	(291.4)	27.1	(0.9)	(0.2)	–	92.0
Interest accrued	0.5	(5.6)	–	266.0	(10.0)	–	–	–	(88.9)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	0.4	–
At 31 December 2018	69.8	616.0	–	7,191.5	392.3	723.2	102.2	(197.8)	(2,443.5)

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

For Level 1 and Level 2 assets measured at fair value, unrealised gains during the year were gains of £15.7m and £284.8m respectively (year ended 31 December 2018: losses of £66.3m and £181.0m 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.

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%.

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:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2019	(3.9)
2018	(3.1)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are either private placement bonds or asset-backed securities. Such securities are valued using discounted cash flow analyses using prudent assumptions based on the repayment of the underlying bond.

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
2019	(52.5)
2018	(28.9)

Derivative financial assets

Derivative financial assets classified as Level 3 is the put option on property index.

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

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets.

Sensitivity analysis

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

Derivative financial assets net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
2019	(1.9)	5.9	6.4	2.2

Loans secured by residential mortgages

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

The valuation of loans secured by mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the no-negative equity guarantee ("NNEG"). The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

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

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

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 following items. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determine 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 22(b).

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.9% (2018: 4.1%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 dataset and model mortality tables for both base table rates and mortality improvements (2018: 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.

Property prices

The value of a property at the date of valuation is calculated by taking the latest valuation for that property and indexing this value using the Office for National Statistics monthly index for the property's location. The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages.

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 retail price inflation, "RPI", plus an allowance for the expectation of house price growth above RPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.8% (2018: 3.8%), with a volatility assumption of 13% per annum (2018: 13%). The derivation 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.

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans written by JRL (2018: 0.7% and 3.8%) and between 0.6% and 2.0% for loans written by PLACL (2018: 0.9% and 3.2%).

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 2.85% (2018: 2.75%) and for loans held within PLACL is 3.21% (2018: 3.20%). The movement over the period observed in JRL is driven by new loan originations having a higher liquidity premium than the average spread on the back book of business.

Sensitivity analysis

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

Loans secured by residential mortgages net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	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
2019	(6.6)	28.7	14.0	(110.4)	(86.6)	(57.7)	(11.7)	(91.5)
2018	(7.1)	22.4	10.9	(97.1)	(79.4)	(53.2)	(15.1)	(86.0)

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 also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results.

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 these assets and hence the valuation discount rates used to determine liabilities. For these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 22(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

Principal assumption underlying the calculation of loans secured by commercial mortgages

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are similar to the Group's bond portfolio.

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 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)	Interest rates +100bps
2019	(22.9)
2018	(19.8)

Other loans

Other loans classified as Level 3 are infrastructure loans and commodity trade finance loans. These are valued using discounted cash flow analysis using prudent assumptions based on the repayment of the underlying loan.

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

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 loans are similar to the Group's bond portfolio.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of other loans to the default assumption is determined by reference to 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
2019	(75.7)
2018	(73.4)

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

These are valued using discounted cash flow analysis using prudent assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of investment contract liabilities

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.4% (2018: 4.6%).

Sensitivity analysis

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

Deposits received from reinsurers

These 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 2.89% and 0.92% respectively (2018: 3.47% and 1.32% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread applied by the individual reinsurer. A credit spread of 82bps (2018: 142bps) 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 26 (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
2019	(81.2)	(200.9)
2018	(75.8)	(196.4)

17 Deferred tax

	2019			2018		
	Asset £m	Liability £m	Total £m	Asset £m	Liability £m	Total £m
Transitional tax	–	(6.0)	(6.0)	–	(8.5)	(8.5)
Intangible assets	–	(19.0)	(19.0)	–	(22.1)	(22.1)
Land and buildings	–	(0.9)	(0.9)	–	(0.9)	(0.9)
Other provisions	11.5	(0.4)	11.1	18.6	(0.7)	17.9
Total deferred tax	11.5	(26.3)	(14.8)	18.6	(32.2)	(13.6)

The transitional tax liability of £6.0m (2018: £8.5m) 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 2019 £m	Year ended 31 December 2018 £m
Net balance at 1 January	(13.6)	(26.2)
Recognised in profit or loss	(1.2)	13.5
Recognised in other comprehensive income	–	(0.9)
Net balance at 31 December	(14.8)	(13.6)

The Group has unrecognised deferred tax assets of £3.9m (2018: £4.2m).

18 Insurance and other receivables

	2019 £m	2018 £m
Receivables arising from insurance and reinsurance contracts	11.1	14.1
Finance lease receivables	2.7	–
Other receivables	11.7	4.8
Total insurance and other receivables	25.5	18.9

Finance lease receivables are due as follows:

	2019 £m	2018 £m
Less than one year	0.8	–
Between one and two years	0.8	–
Between two and three years	0.8	–
Between three and four years	0.4	–
Total undiscounted lease payments receivable	2.8	–
Unearned finance income	(0.1)	–
Net investment in leases	2.7	–

Other than finance lease receivables, insurance and other receivables of £nil (2018: £nil) are expected to be recovered more than one year after the Consolidated statement of financial position date.

19 Cash and cash equivalents

	2019 £m	2018 £m
Cash available on demand	267.0	113.9
Units in liquidity funds	1,384.0	882.5
Cash and cash equivalents in the Consolidated statement of cash flows	1,651.0	996.4

20 Share capital

The allotted and issued ordinary share capital of the Group at 31 December 2019 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2019	941,068,882	94.1	94.5	532.7	721.3
Shares issued	94,012,782	9.4	–	64.4	73.8
At 31 December 2019	1,035,081,664	103.5	94.5	597.1	795.1
At 1 January 2018	938,308,340	93.8	94.2	532.7	720.7
In respect of employee share schemes	2,760,542	0.3	0.3	–	0.6
At 31 December 2018	941,068,882	94.1	94.5	532.7	721.3

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.

21 Tier 1 notes

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	–	–
Issued in the period	300.0	–
Issue costs, net of tax	(6.0)	–
At 31 December	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 £16.8m was paid to note holders.

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.

22 Insurance contracts and related reinsurance

Insurance liabilities

	2019 £m	2018 £m
Gross insurance liabilities	19,003.7	17,273.8
Reinsurance	(3,732.0)	(4,239.2)
Net insurance liabilities	15,271.7	13,034.6

(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 as follows:

Mortality assumptions

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.

	2019	2018
Individually underwritten Guaranteed Income for Life Solutions (JRL)	Modified E&W Population mortality, with modified CMI 2017 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 modified CMI 2017 model mortality improvements	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements
Defined Benefit (JRL)	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 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 CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit (PLACL)	Modified E&W Population mortality, with modified CMI 2017 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 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	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

The long term improvement rates in the modified CMI 2017 model are 2.0% for males and 1.75% for females (2018: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2017 model has been set to 7.25 (2018: 7.25).

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 16 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on a prudent expectation of default experience of each asset class. An additional allowance is made for voluntary redemptions.

Valuation discount rates – gross liabilities	2019 %	2018 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	3.01	3.51
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	2.89	3.47
Defined Benefit (JRL)	3.01	3.51
Defined Benefit (PLACL)	2.89	3.47
Other annuity products (PLACL)	0.92	1.32
Term and whole of life products (PLACL)	0.98	1.54

Future expenses

Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.4% (2018: 4.6%) derived from the expected retail price index implied by inflation swap rates and an additional allowance for earnings inflation.

(c) Movements

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

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

Year ended 31 December 2018	Gross £m	Reinsurance £m	Net £m
At 1 January 2018	16,633.0	(5,285.3)	11,347.7
Increase in liability from premiums	1,735.4	2.2	1,737.6
Release of liability due to recorded claims	(1,213.2)	419.8	(793.4)
Unwinding of discount	547.4	(154.9)	392.5
Changes in economic assumptions	(286.6)	136.4	(150.2)
Changes in non-economic assumptions	(128.8)	98.1	(30.7)
Other movements[1]	(13.4)	544.5	531.1
At 31 December 2018	17,273.8	(4,239.2)	13,034.6

1 Includes the impact of reinsurance recapture.

Effect of changes in assumptions and estimates during the year

Economic assumption changes

The principal economic assumption change impacting the movement in insurance liabilities during the year relates to discount rates 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 cashflows on backing assets. The principal assumption changes impacting the cashflows on backing assets during the year relate to voluntary redemptions on Lifetime Mortgages. Both existing in-force assets and new assets purchased during the year contribute to the movement in the discount rate. Differences between the discount rates recognised on new business written during the year and the prevailing discount rates on the entire portfolio of business also contribute to the movement in insurance liabilities.

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to maintenance expenses and investment expenses for both JRL and PLACL.

Expense assumption

Cost reductions achieved within the Group have given rise to an overall reduction in maintenance expense and investment expense assumptions. This has resulted in a decrease in the carrying value of the Group's insurance liabilities.

The JRL GIfL maintenance expense assumption used at 31 December 2019 was £28.50 per plan (2018: £30.29), whilst the JRL DB maintenance assumption used at 31 December 2019 was £112.71 per scheme member (2018: £118.75). The PLACL GIfL maintenance expense assumption used at 31 December 2019 was £28.50 per plan (2018: £29.30), whilst the PLACL DB maintenance assumption used at 31 December 2019 was £175.40 per scheme member (2018: £161.40).

Investment expenses refer to the fees incurred in the management of the Group's debt and other fixed income securities. Investment expenses are allowed for via a reduction in the yield on those assets. The JRL investment expenses assumption used at 31 December 2019 was 6.7bps (2018: 6.8bps). The PL ACL investment expense assumption used at 31 December 2019 was 4.3bps (2018: 9.7bps).

(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.

2019	Expected cash flows (undiscounted) Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £m
Gross	1,303.4	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

2018	Expected cash flows (undiscounted) Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £m
Gross	1,243.2	4,715.5	5,353.2	14,667.9	25,979.8	17,273.8
Reinsurance	(358.3)	(1,320.8)	(1,399.0)	(2,998.7)	(6,076.8)	(4,239.2)
Net	884.9	3,394.7	3,954.2	11,669.2	19,903.0	13,034.6

(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 16. 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 be interpolated or extrapolated from these results. 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
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)
2018										
Assets	(1,710.2)	2,042.2	(7.1)	22.4	10.9	(97.1)	(79.4)	(53.2)	(15.1)	-
Liabilities	1,553.9	(1,842.5)	(30.5)	(139.0)	(97.7)	(64.2)	(64.2)	(30.0)	(73.2)	(60.0)
Total	(156.3)	199.7	(37.6)	(116.6)	(86.8)	(161.3)	(143.6)	(83.2)	(88.3)	(60.0)

23 Investment contract liabilities

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	197.8	220.7
Deposits received from policyholders	26.7	51.0
Payments made to policyholders	(78.3)	(73.5)
Change in contract liabilities recognised in profit or loss	(92.2)	(0.4)
At 31 December	54.0	197.8

In 2018, investment contract liabilities include the linked liabilities of 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.

(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 16 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	2019 %	2018 %
Investment contracts	3.01	3.51

24 Loans and borrowings

	Carrying value		Fair value	
	2019 £m	2018 £m	2019 £m	2018 £m
£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	95.9	67.2	113.5
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	248.9	248.8	255.8	289.9
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	121.4	–	127.5	–
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	229.0	228.7	239.7	214.7
Total loans and borrowings	660.0	573.4	690.2	618.1

On 2 October 2019, the Group completed the issue of £125m Tier 2 capital via an 8.125% sterling denominated BBB rated 10 year bonds issue, interest payable semi-annually in arrear. The proceeds of the issue will be used mainly to refinance the £100m 9.5% Partnership Life Assurance Company Limited subordinated notes due 2025 ("PLACL notes"). On 25 September 2019, a tender offer for the PLACL notes was announced resulting in £37.48m of the notes being called on 2 October 2019.

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 2019 £m	Year ended 31 December 2018 £m
At 1 January	573.4	343.9
Proceeds from issue of Just Group plc Tier 2 subordinated debt	125.0	230.0
Issue costs	(3.6)	(1.5)
Repayment of Partnership Life Assurance Company Limited Tier 2 subordinated debt	(37.5)	–
Financing cash flows	83.9	228.5
Amortisation of issue costs	2.7	1.0
Non-cash movements	2.7	1.0
At 31 December	660.0	573.4

25 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 2019 £m	Year ended 31 December 2018 £m
At 1 January	–	–
Recognition of lease liabilities on initial application of IFRS 16	9.6	–
Lease payments	(3.1)	–
Financing cash flows	(3.1)	–
New lease	5.6	–
Interest	0.3	–
Non-cash movements	5.9	–
At 31 December	12.4	–

During the year the Group entered into a new three year lease on the relocation of its London office.

Lease liabilities are payable as follows:

At 31 December 2019	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
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

26 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	2019 £m	2018 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	248.4	178.3
Obligations for repayment of cash collateral received	(a)	62.8	3.4
Deposits received from reinsurers	(b)	2,417.7	2,443.5
Liabilities measured using insurance rules under IFRS 4			
Deposits received from reinsurers	(b)	772.6	1,236.3
Reinsurance finance	(c)	14.5	30.6
Reinsurance funds withheld	(d)	162.9	171.2
Total other liabilities		3,678.9	4,063.3

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 £3,068.0m (2018: £3,730.4m).

(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 measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

(c) Reinsurance finance

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

(d) Reinsurance funds withheld

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

27 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.

	2019			2018		
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	54.8	96.3	2,035.1	1.3	131.8	1,186.5
Interest rate swaps	157.3	30.7	3,644.8	36.2	9.5	2,131.8
Inflation swaps	10.7	120.6	2,165.8	38.0	27.6	1,879.3
Forward swaps	10.1	0.8	612.4	0.6	9.4	927.6
Put option on property index	4.0	–	80.0	3.3	–	80.0
Total return swaps	0.1	–	66.9	–	–	–
Interest rate futures	–	–	–	1.8	–	186.0
Total	237.0	248.4	8,605.0	81.2	178.3	6,391.2

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

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

As at 31 December 2019, the Company had pledged collateral of £103.1m (2018: £152.6m) of which £nil were gilts and European Investment Bank bonds (2018: £nil) and had received cash collateral of £62.8m (2018: £3.4m). In addition to the cash collateral received recognised within other financial liabilities (see note 26), certain collateral arrangements within the Group's subsidiary, PLACL, give rise to collateral of £17.9m (2018: £10.4m) which is not included in the Consolidated statement of financial position of the Group because it is deposited into a ringfenced collateral account that the Group has no control over and does not accrue any of the economic benefit.

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

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Movement in fair value of derivative instruments	85.2	(49.0)
Realised losses on interest rate swaps closed	44.7	(16.3)
Total amounts recognised in profit or loss	129.9	(65.3)

28 Reinsurance

The Group uses reinsurance as an integral part of its risk and capital management activities. New business was reinsured via longevity swap arrangements as follows:

- DB: from 1 January to 30 June 2019 (and the whole of 2018), DB was 55% reinsured for underwritten schemes, and 75% for non-underwritten schemes. From 1 July the reinsurance was increased to 75% for underwritten schemes, and 90% for non-underwritten schemes.
- GIfL was 75% reinsured during 2019 and 2018.

- Care was not reinsured in 2019 but was 42.5% reinsured in 2018 until closure of the treaty in October 2018.

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. The Group increased the reinsurance on JRL DB inforce business during the year 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 retains 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 26 (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 fully repaid financing loans and recaptured business in respect of certain underwriting years that resulted in a decrease of reinsurance assets of £436.8m 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 26(b)), certain reinsurance arrangements within the Group's subsidiary, PLACL, 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.

	2019 £m	2018 £m
Deposits managed by the Group	194.5	191.6
Deposits held in trust	283.4	272.8
Total deposits not included in the Consolidated statement of financial position	477.9	464.4

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 2019, this reserve totalled £2.5m (2018: £2.3m) and largely relates to the Hannover Re and Pacific Life Re reinsurance treaties in PLACL.

29 Other provisions

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	0.7	2.1
Amounts utilised	(1.7)	(1.4)
Amounts charged to profit and loss	2.8	–
At 31 December	1.8	0.7

The amount of provisions that is expected to be settled more than 12 months after the Consolidated statement of financial position date is £1.2m (2018: £0.5m).

30 Insurance and other payables

	2019 £m	2018 £m
Payables arising from insurance and reinsurance contracts	22.4	21.2
Other payables	50.2	57.1
Total insurance and other payables	72.6	78.3

Insurance and other payables due in more than one year are £nil (2018: £nil).

31 Commitments

Capital commitments

The Group had no capital commitments as at 31 December 2019 (2018: £nil).

32 Contingent liabilities

Contingent liabilities at 31 December 2019 represent the outstanding contingent consideration on the acquisition of Corinthian Group Limited in 2018 of £0.2m (2018: £0.3m). The Group has received an enquiry from HMRC with respect to the withholding tax treatment of amounts associated with financial reinsurance. While the outcome of such enquiries cannot be predicted with certainty, the Group believes the ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

33 Financial and insurance risk management

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

(a) Insurance risk

The writing of long-term insurance contracts 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 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.

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

2018	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	882.5	–	–	–	–	882.5
Investment funds	112.2	69.8	–	–	–	182.0
Debt securities and other fixed income securities	829.6	2,732.8	2,514.9	3,441.0	–	9,518.3
Deposits with credit institutions	153.4	–	–	–	–	153.4
Derivative financial assets	3.5	13.7	5.2	58.8	–	81.2
Loans secured by residential mortgages	–	–	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	12.3	173.5	142.4	64.1	–	392.3
Other loans	2.7	8.3	62.3	675.8	–	749.1
Amounts recoverable from reinsurers on investment contracts	102.2	–	–	–	–	102.2
Total	2,098.4	2,998.1	2,724.8	4,239.7	7,191.5	19,252.5

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 22(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.

A sensitivity analysis of the impact of property price movements on profit before tax is included in note 16 and note 22(e).

(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:

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

2018	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	877.7	4.8	–	–	–	–	882.5
Investment funds	–	–	13.7	–	–	–	168.3	182.0
Debt securities and other fixed income securities	623.4	832.1	938.3	2,916.7	3,555.9	208.2	443.7	9,518.3
Deposits with credit institutions	–	–	–	111.0	41.6	–	0.8	153.4
Derivative financial assets	–	–	0.3	30.1	50.8	–	–	81.2
Loans secured by residential mortgages	–	–	–	–	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	–	–	–	–	–	–	392.3	392.3
Other loans	–	89.1	117.1	93.3	423.7	–	25.9	749.1
Reinsurance	–	–	189.3	294.2	–	–	6.9	490.4
Insurance and other receivables	–	–	–	–	–	–	18.9	18.9
Total	623.4	1,798.9	1,263.5	3,445.3	4,072.0	208.2	8,248.3	19,659.6

The credit rating for Cash and cash equivalents assets at 31 December 2019 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 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.

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:

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	–

2018	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
Subordinated debt	40.8	203.8	672.0	–
Derivative financial liabilities	10.4	86.1	486.9	–
Obligations for repayment of cash collateral received	3.4	–	–	–
Deposits received from reinsurers	316.6	1,156.4	3,675.6	–
Reinsurance finance	–	–	–	30.6
Reinsurance funds withheld	16.3	59.9	148.8	–

34 Capital

The net assets of the Group at 31 December 2019 on an IFRS basis were £2,321.0m (2018: £1,663.8m). 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. 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.

In assessing the Group's capital position, matters currently under development by the PRA have been taken into account.

In order to allow a Matching Adjustment ("MA") under Solvency II on Lifetime Mortgage ("LTM") assets, Just Retirement Limited ("JRL") restructures its LTMs through a Special Purpose Entity ("SPE"). This SPE issues LTM notes to JRL that are MA-eligible due to their fixed cash flows ("the Senior Notes"). The equity tranche of this restructuring ("the Junior Note") is not MA-eligible.

The regulatory environment for LTMs has evolved since the adoption of Solvency II through the publication of SS3/17 “Solvency II: Equity Release Mortgages”, and PS19/19 “Solvency II: Equity Release Mortgages – Part 2”. SS3/17, originally issued in July 2017 and subsequently updated by PS31/18 “Solvency II: Equity Release Mortgages” issued in December 2018, became effective in December 2019 and introduced a new key element, the effective value test (“EVT”). This acts as a regulatory diagnostic validation test which the PRA expects firms to conduct as a means of monitoring compliance with Solvency II requirements relating to the calculation of the Fundamental Spread (“FS”) and thus the MA in the case where MA liabilities are matched with restructured ERMs.

The minimum EVT parameters applicable at December 2021 were published in September 2019: 13% volatility and a 0.5% deferment rate. The PRA will update the minimum parameterisation every 6 months (in March and September) and PS19/19 confirmed the link between the deferment rate and long-term real interest rates. This link helps remove some of the potential interest rate volatility introduced by the EVT although in practice there will be exposure to the lag from the half yearly updates. An additional source of uncertainty arises from the PRA’s judgment over the parameterisation. For example the PRA has indicated that they would normally expect to update the deferment rate in 50bp steps and they would not expect the deferment rate to be negative so the link with real interest rates is not absolute. PS19/19 established that firms could use a phasing-in period, whereby a minimum deferment rate of 0% could be used until 31 December 2021 with no PRA approval required to do so.

The Group regularly engages with the PRA on these regulatory developments. The updated regulatory framework set out in SS3/17 and PS19/19 prompted Just to restructure and update its internal LTM securitisation (which had been designed prior to SS3/17) to better meet the revised regulatory expectations. This included a significant undertaking in the second half of 2019 to update the methodology used to determine the internal rating, amount and spread on the LTM notes used to enable LTM assets to be eligible for matching adjustment. A restructure was effected on 31 December 2019 which involved a redemption of existing notes, a restructuring and an issuance of new LTM notes. JRL now maintains a single pool of LTMs tranched into eleven internally-rated and MA-eligible securitised Senior notes held within JRL’s MA portfolio, and one enlarged non-MA-eligible Junior note held in JRL’s non-MA portfolio. These notes will be regularly incremented for new LTM originations.

The restructure removes much of the uncertainty on the level of MA relating to LTMs in the regulatory balance sheet. Following the restructure Just passes the PRA EVT with a material buffer (0.67%) over the minimum deferment rate of zero required at 31 December 2019 and volatility of 13% in line with the requirement. The restructuring has led to a reduction in MA which has resulted in an increase in technical provisions of approximately £300m of which approximately 44% relates to pre-2016 business and hence is partly offset by an increase in the TMTP and tax effects. The restructure has effectively accelerated recognition of some of the expected impact of complying with the new regulations applicable in 2021. The expected cost of satisfying the EVT at a parameterisation of 13%/1% (which includes a 0.5% buffer over the PRA’s ultimate expectations of 0.5% as published in September 2019) rather than our current level of 13%/0.67% depends on economic conditions but would have been £80m at 31 December 2019, after allowing for the TMTP and tax offset.

The Group continues to engage in discussion with the PRA around its SCR methodology treatment, including the requirements for how the EVT would be applied in stress scenarios as set out in PS19/19. The PRA expects firms’ SCR treatments to be updated for EVT under stress by 2021. At year-end 2019, our calculations indicate that the SCR currently held should be sufficient to pass an EVT in stress validation test. Therefore our previous planning assumption, of an increase in SCR of c£130m (unaudited) to allow for EVT under stress by 2021, has been removed. Uncertainty remains as to how the introduction of an EVT in stress will ultimately be implemented by the industry and Just. The ultimate impact will also depend on the economic conditions at the time.

Although there is still more work to do to fully adopt the 2021 regulatory requirements, the restructuring of the mortgage notes represents a significant step towards ensuring the continuing compliance of our matching adjustment approach with the PRA’s framework in a post EVT world. It also provides a basis for discussion with the PRA on the potential MA benefit of the NNEG risk transfer transactions.

Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. In 2020 it expects to review the model to reflect changes in the risk profile of the balance sheet arising from the requirements of PS19/19 and other business developments.

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.

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

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

- In March 2019 the Group raised a total of £375m new capital (before issue costs), through a £300m Restricted Tier 1 notes issuance and through a £75m equity placing, which can be used to support the Group’s capital requirements.
- In August 2019 the Group entered into a reinsurance transaction with RGA to reduce Just Retirement Limited’s exposure to longevity risk (and the associated capital requirements) for DB business written since the implementation of Solvency II, which is effective from 1 July 2019.
- In October 2019 the Group raised further new capital through the issue of £125m 8.125% Tier 2 loan notes (before issue costs) and completed a tender for £37m of the existing £100m 9.5% Partnership Tier 2 notes. The Group has announced

that it will call the remaining £67m Partnership Tier 2 notes at their first call date in March 2020, resulting in a net increase in Tier 2 capital of £25m (before costs) once the redemption of the PLACL notes is completed.

- The Group has significantly reduced new business strain through a planned reduction in new business volumes, re-pricing and cost reductions.

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

- Reduction to new business strain is planned through DB partner business which is much less capital intensive.
- Additional reinsurance of existing business to release risk margin and SC R in respect of that business.
- Ongoing cost savings are planned with a target to eliminate expense overruns by the end of 2021.
- The Group remains in discussion with the PRA to establish satisfactory regulatory treatment for the NNEG risk transfer transactions already completed.
- New business strain could be further reduced by reducing the volume of new nosiness written or by changing the mix of new business.
- The Board continues to review the optimal capital mix, subject to market liquidity and availability. For example, the Group currently has a material amount of unutilised Tier 2 debt capacity.

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

Further information on the matters considered by the Directors at 31 December 2019 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 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 2019, which is unaudited, and is stated after including 12 months' amortisation of transitional relief, was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2019[1] £m	2018[2] £m	2019 £m	2018 £m
Eligible Own Funds	2,562	2,284	1,928	1,763
Capital Requirement	(1,814)	(1,589)	(444)	(393)
Excess Own Funds	748	695	1,484	1,370
Coverage ratio	141%	144%	434%	449%

1 Estimated regulatory position.
2 As reported in the Group's Solvency and Financial Condition Report as at 31 December 2018.

35 Group entities

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

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

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
TOMAS Acquisitions Limited	Dormant	Reigate	100%
Corinthian Group Limited	Holding company	Reigate	75%
Corinthian 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.

Registered offices

Reigate office:	London office:	Belfast office:	South Africa office:
Vale House	5th Floor, 110 Bishopsgate	3rd Floor, Arena Building	Office G01, Big Bay Office Park
Roebuck Close	London EC2N 4AY	Ormeau Road	16 Beach Estate Boulevard
Bancroft Road		Belfast BT7 1SH	Big Bay
Reigate, Surrey RH2 7RU			Western Cape 7441

Jersey office:	United States office:	Portsmouth office:
44 Esplanade	2711 Centerville Road	Building 3000
St Helier	Suite 400	Lakeside North Harbour
Jersey JE4 9WG	Wilmington	Portsmouth
	Delaware	Hampshire PO6 3EN

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.

36 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 2019 £m	Year ended 31 December 2018 £m
Short-term employee benefits	2.2	4.4
Share-based payments	1.0	2.7
Total key management compensation	3.2	7.1
Loans owed by Directors	0.4	0.4

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

37 Ultimate Parent Company and ultimate controlling party

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

38 Post balance sheet events

On 25 February 2020 the Group announced that the remaining £62.5m 9.5% 10 year subordinated debt issued by PLACL in 2015 will be called on 24 March 2020, the first call date.

On 11 March 2020 the Group signed an NNEG risk transfer transaction with an AA rated counterparty. The transaction protects the Group from NNEG risk caused by a fall in UK house prices in relation to an insured portfolio of £670m of LTMs.

On 11 March 2020 the Group signed a 100% quota share reinsurance treaty with a leading reinsurer covering c.£250m of liabilities in respect of a Defined Benefit De-risking Solutions policy.

There are no other post balance sheet events that have taken place between 31 December 2019 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 2019 of £748m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.8%. The projection does not allow for the impact of future new business or dividends from 31 December 2019. Therefore any surplus emerging is assumed to roll up and earn an investment return, contributing to further surplus. The cashflow amounts shown are before the interest and principal payments on all debt obligations.

The TMTP amortisation shown includes the impact of the accelerated TMTP amortisation. The impact of the regulatory changes shown are the costs of phasing in the changes arising from SS3/17 to meet a 13% volatility and 1% deferment rate in the Effective Value Test by 31 December 2021.

Year	Core surplus generation £m	Regulatory changes £m	TMTP amortisation £m	Surplus generation £m
2020	294	-	(154)	139
2021	309	(68)	(126)	115
2022	307	-	(131)	176
2023	294	-	(131)	163
2024	286	-	(131)	156
2025	278	-	(131)	147
2026	271	-	(131)	140
2027	255	-	(131)	124
2028	250	-	(131)	119
2029	245	-	(131)	115
2030	233	-	(131)	102
2031	229	-	(131)	98
2032	220	-	-	220
2033	215	-	-	215
2034	208	-	-	208
2035	196	-	-	196
2036	193	-	-	193
2037	181	-	-	181
2038	172	-	-	172
2039	169	-	-	169
2040 – 2044	669	-	-	669
2045 – 2049	447	-	-	447
2050 – 2054	292	-	-	292

New business contribution

The table below shows the expected future emergence of SII surplus arising from 2019 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 2019. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(74.0)
Year 1	14.7
Year 2	14.8
Year 3	14.8
Year 4	14.5
Year 5	13.9
Year 6	13.6
Year 7	13.1
Year 8	12.6
Year 9	12.1
Year 10	12.5
Year 11	12.4
Year 12	12.6
Year 13	12.9
Year 14	13.0
Year 15	12.6
Year 16	12.3
Year 17	11.9
Year 18	11.5
Year 19	10.4
Year 20	10.0
Years 21 to 25	40.4
Years 26 to 30	21.6
Years 31 to 35	4.4

Glossary

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

Adjusted earnings per share – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19% for 2019), and dividing this result by the weighted average number of shares in issue by the Group for the year.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of new business operating profit, in-force operating profit together, 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 Financial Review.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic capital coverage ratio – an APM and one of the Group's KPIs, economic capital is a risk-based capital measure and expresses the Board's view of the available capital as a percentage of the required capital.

Embedded value –this represents the sum of shareholders' net assets and the value of in-force business, and is a measure in assessing the future profit streams of the Group's long-term business. It also recognises the additional value of profits in the business that has been written but not yet recognised under IFRS accounting.

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

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

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

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

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

Guaranteed Guidance – see Pensions Wise.

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

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

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

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

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

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

Lifetime mortgage ("LTM") – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the home is no longer needed.

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

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

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

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

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

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

New business 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.

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 reserves and for acquisition expenses. New business operating profit is reconciled to IFRS profit before tax in the Financial Review.

New business sales – an APM and an indicator of the Group's growth and realisation of its strategic objectives. New business sales include DB, GIfL, Care, FPP and protection premiums written combined with LTM advances in the year. New business sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ABBREVIATIONS

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

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

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