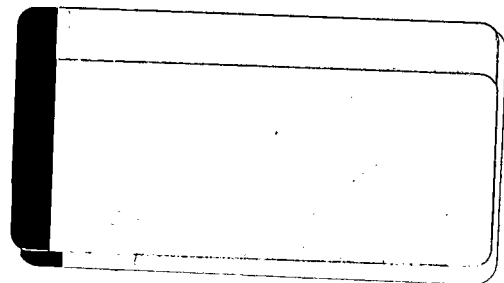


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Just Re 2 Limited

Report and Accounts
For the Year Ended 31 December 2019



JUST RE 2 LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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STRATEGIC REPORT

The Directors present their strategic report for Just Re 2 Limited ("the Company" or "JRE2") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Company is to act as a Special Purpose Entity (SPE) in connection with the acquisition of selected callable bonds from Just Retirement Limited ("JRL") in exchange for the issue of loan notes. The Company is a wholly owned subsidiary of JRL and was created to support JRL's Solvency II matching adjustment requirements.

The Company trades under the terms of a set of legal agreements between the Company and JRL. Under the terms of these agreements the Company purchased selected callable bonds from JRL in exchange for the issue of loan notes. The transaction was undertaken on an arms-length basis using the fair value of the callable bonds. However, under the agreements JRL retains substantially all the risks and rewards of ownership of the transferred assets and therefore under IFRS 9 these assets continue to be recognised in the Statement of Financial Position of JRL and not in the financial statements of the Company. Consequently, the loan notes issued by the Company are also not recognised in the Statement of Financial Position of the Company. Note 8(e) to the financial statements provides details of the financial assets and liabilities that have not been recognised in the financial statements.

POST BALANCE SHEET EVENT - CORONAVIRUS PANDEMIC ('COVID-19')

The U.K. along with much of the rest of the world is currently in the middle of a pandemic caused by Covid-19. In March 2020, the U.K. Government introduced unprecedented measures to restrict the spread of the virus including closing down whole sectors of the economy and requiring most people, other than essential workers, to stay at home. During May 2020 some of the restrictions have been eased slightly as the Government seeks to restart the economy. The Company is continuing to operate with the majority of staff working from home. As of the date of this report it remains uncertain as to how long the pandemic will last and what other impacts will arise afterwards. Covid-19 is not expected to have a significant impact on the Company as it will continue to provide its services in order to support the regulatory capital position of JRL.

PRINCIPAL RISKS AND UNCERTAINTIES

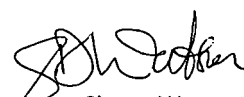
The Company's principal financial risks are explained in note 15 to the financial statements. In addition to financial risk the Company is exposed to operational risk. Operational risk arises from inadequate or failed internal processes, people and systems or from external events, such as the ongoing pandemic relating to Covid-19 as described above. The Company maintains a suite of risk management tools to help manage its operational risks including facilitated risk and control self-assessments, risk event management and loss reporting. Underlying and informing the operation of these tools is a framework of formal policies and controls which govern the oversight of the risks faced by the Company. This includes business continuity and disaster recovery arrangements.

KEY PERFORMANCE INDICATORS

The key performance indicators used by the Directors to manage the Company's operations include a regular review of the Company's outstanding loan note obligations, investments and liquidity position, to ensure the financial commitments in respect of the loan notes issued by the Company can be met.

This Strategic Report has been approved by the Board and signed by order of the Board.

BY ORDER OF THE BOARD



Simon Watson
Company Secretary
02 June 2020

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDEND

The financial result of the Company for the year ended 31 December 2019 is a profit after tax of £nil (year ended 31 December 2018: £nil) which has been transferred to reserves. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (year ended 31 December 2018: £nil).

GOING CONCERN

After making enquiries, including assessing the impact of the ongoing Covid-19 pandemic, the directors have formed the view, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing these financial statements.

DIRECTORS

The directors who held office during the year and at the date of this report are listed below:

Hugh McKee (director)	Resigned 31 January 2019
Paul Turner (director)	
Andy Parsons (director)	Appointed 13 February 2020

DIRECTORS' INDEMNITIES

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and Officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Directors' and Officers' liability insurance cover is in place in respect of all of the Company's Directors.

POLITICAL DONATIONS

The Company made no political donations during the year (year ended 31 December 2018: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

Each person who was a Director of the Company on the date that this report was approved confirms that, so far he or she is aware, there is no relevant audit information, being information needed by the Auditor in connection with preparing their report, of which the Auditor is unaware. Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant information and to establish that the Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

AUDITOR

The Company's auditors, KPMG LLP, have confirmed their intention not to seek reappointment as auditors of the Company and the other companies in its Group when their present term in office expires. On this basis the auditors will not be deemed reappointed under section 487 of the Companies Act 2006. It is intended that KPMG LLP will resign as auditor of the Company following the completion of the audit of the Company's accounts. Just Group plc, the ultimate parent company of the group of companies of which the Company is a part, has appointed PwC LLP as auditor for the year ending 31 December 2020. It is intended that PwC LLP be appointed as auditor of the Company by ordinary resolution of the shareholder of the Company in accordance with section 485(4) of the Companies Act 2006 during the next period for appointing auditors in accordance with section 485(2) of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

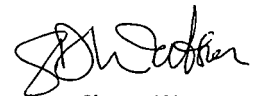
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD



Simon Watson
Company Secretary
02 June 2020

Registered Office:
Enterprise House
Bancroft Road
Reigate
Surrey
RH2 7RP

Registered in England
Number 09572665

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUST RE 2 LIMITED

Opinion

We have audited the financial statements of Just Re 2 Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mostyn Wilson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

2 June 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

		Year ended 31 Dec 2019	Year ended 31 Dec 2018
	Note	£'000	£'000
Net investment income	2	1,014	405
Fee and commission income	3	863	591
Total revenue		1,877	996
Other operating expenses	4	(1,877)	(996)
Total expenses		(1,877)	(996)
Profit before tax		-	-
Income tax	5	-	-
Total comprehensive income for the period attributable to equity holders		-	-

The notes on pages 11 to 19 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

Year ended 31 December 2019	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2019	-	-	-
Gain for the period	-	-	-
Total comprehensive income for the period	-	-	-
Shares issued	-	-	-
Total contributions and distributions	-	-	-
Balance at 31 December 2019	-	-	-

Year ended 31 December 2018	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2018	-	-	-
Gain for the period	-	-	-
Total comprehensive income for the period	-	-	-
Shares issued	-	-	-
Total contributions and distributions	-	-	-
Balance at 31 December 2018	-	-	-

The notes on pages 11 to 19 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Financial investments	8	92,417	86,625
Prepayments and accrued income		6	5
Cash and cash equivalents	9	8,980	9,245
Total assets		101,403	95,875
Equity			
Share capital	10	-	-
Accumulated profit		-	-
Total equity		-	-
Liabilities			
Loans and borrowings	11	66,530	54,451
Payables	12	34,873	41,424
Total liabilities		101,403	95,875
Total equity and liabilities		101,403	95,875

The notes on pages 11 to 19 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 02 June 2020 and were signed on its behalf by:



Paul Turner
Director

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Cash flows from operating activities			
Profit before tax		-	-
Increase in financial investments		(5,792)	(3,183)
Increase in prepayments and accrued income		(1)	(2)
(Decrease)/Increase in payables		(6,551)	9,061
Net cash (outflow)/inflow from operating activities		(12,344)	5,876
Cash flows from financing activities			
Increase/(Decrease) in borrowings		12,079	(20,114)
Net cash inflow/(outflow) from financing activities		12,079	(20,114)
Cash and cash equivalents			
Net decrease in cash and cash equivalents		(265)	(14,238)
Cash and cash equivalents at start of period		9,245	23,483
Cash and cash equivalents at end of period	9	8,980	9,245
Cash available on demand		8,980	9,245
Cash and cash equivalents at end of period	9	8,980	9,245

The notes on pages 11 to 19 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

1.1 Basis of preparation

The 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 2018 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Values are expressed to the nearest £1k.

The directors have made an assessment covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including assessing the likely impact of the ongoing Covid-19 pandemic, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

As noted above, the directors have considered the potential impact of the COVID-19 pandemic on the Company, which are expected to be minimal.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

During the year the Company has adopted IFRS 16, Leases, effective from 1 January 2019. This has no impact on the Company.

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

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

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

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	Financial investments	Classification of financial investments, including assessment of market observability of valuation inputs.

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.

1.3 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 and 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 reporting period and the carrying value at the start of the reporting period or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

1.4 Revenue from contracts with customers

The Company recognises revenue from contracts with customers in accordance with IFRS 15, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the services provided. Revenue from contracts with customers comprises revenue from fellow Group undertakings in respect of recharged expenses and negative net investment income.

1.5 Other operating expenses

Other operating expenses are recognised on an accruals basis.

1.6 Financial investments

Classification

The Company classifies financial investments in accordance with IFRS 9 Financial Instruments. Under IFRS 9 all financial investments are initially measured at fair value. Subsequently, the valuation basis applied to each asset class is determined by assessing the cash flow characteristics and business model approach as detailed in IFRS 9. Using this approach, the Company has determined all financial investments will be valued using fair value through profit and loss (FVTPL). The valuation basis is unchanged from that adopted previously under IAS 39 Financial Instruments: Recognition and Measurement.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company 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 and loss.

The Company's policy is to derecognise financial investments when it is deemed that substantially all the risks and rewards of ownership have been transferred. The Company operates as a Special Purpose Entity (SPE) in connection with the acquisition of portfolios selected callable bonds from its immediate parent company JRL. The Company trades under the terms of a set of legal agreements between the Company and JRL. Under the terms of these agreements the Company agrees to purchase selected callable bonds from JRL in exchange for the issue of loan notes. These transactions are undertaken on an arms-length basis using the fair value of the callable bonds. However, under the agreements JRL retains substantially all the risks and rewards of ownership of the transferred assets and therefore under IFRS 9 these assets continue to be recognised in the Statement of Financial Position of JRL and not in the financial statements of the Company. Consequently the loan notes issued by the Company are also not recognised in the Statement of Financial position of the Company.

Use of fair value

The Company 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 Company 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 Company holds certain financial investments for which the markets are not active. These comprise financial investments which are not quoted in active markets 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 to account for financial investments at fair value. 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 Company is not active, the fair value is determined using valuation techniques. The Company 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. 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).

1.7 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.

1.8 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 period in which they are paid. Final dividends are recognised when they have been approved by shareholders.

1.9 Loans and borrowings

Loans and borrowings are recognised at cost.

1.10 Payables

Payables consist primarily of amounts due to group undertakings and are recognised at cost. The payables are expected to be settled within thirteen years.

1.11 Taxation

The current tax expense is based on the taxable profits for the year, using tax rates substantively enacted at the 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 financial statements. The principal temporary differences arise from the revaluation of certain financial assets and liabilities, including derivative contracts, technical provisions and other insurance items and tax losses carried forward.

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 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Interest income:		
Assets at fair value through profit or loss	992	349
Movement in fair value:		
Financial assets and liabilities designated on initial recognition	22	56
Total net investment income	1,014	405

3 Revenue from fellow Group undertakings

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Product/Service		
Recharged expenses	863	591
Timing of revenue recognition		
Products transferred at point of time	863	591
Revenue from contract with customers	863	591

All revenue from contracts with customers is from the UK

4 Other operating expenses

Audit fees have been borne by Just Retirement Limited.

Disclosures in respect of non-audit fees paid to the auditor have not been disclosed in these financial statements because the group financial statements of the Company's parent, Just Group plc, contain on a group wide basis, the non-audit fee disclosures required by the Regulations.

5 Income tax

	31 Dec 2019	31 Dec 2018
	£'000	£'000
Current taxation:		
Current year	-	-
Total current tax	-	-
Total income tax	-	-

Reconciliation of total income tax to the applicable tax rate:

	Year ended	Year ended
	31 Dec 2019	31 Dec 2018
	£'000	£'000
Loss on ordinary activities before tax	-	-
Income tax at 19% (2018: 19%)	-	-
Effects of: Expenses not deductible for tax purposes	-	-
Total income tax	-	-

Changes to the UK corporation tax rates reducing the main rate to 17% from 1 April 2020 were substantively enacted on 6 September 2016.

On 11 March 2020 the Chancellor of the Exchequer announced that the main rate of corporation tax, effective from 1 April 2020, will remain at 19%. This measure was substantively enacted on 17 March 2020. This change does not affect the amounts of current taxes recognised at 31 December 2019.

6 Remuneration of Directors

All Directors are employed by and receive their emoluments from Just Retirement Management Services Limited, a fellow Group undertaking.

The Directors holding office during the year to 31 December 2019 consider that their services to the Company are incidental to their other duties within Just Group and accordingly no remuneration has been apportioned to the Company (year ended 31 December 2018: £nil).

7 Staff costs

Staff costs are recharged from fellow Group undertaking Just Retirement Management Services Limited, in accordance with management services agreements. All staff are employed by Just Retirement Management Services Limited and details of employee numbers are available in the financial statements of this company.

8 Financial investments

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

All financial investments measured at fair value through the profit or loss are designated as such on initial recognition.

	2019 £'000	2018 £'000
Fair value		
Units in liquidity funds	9,838	7,782
Debt securities and other fixed income securities	82,579	78,843
Total fair value	92,417	86,625
Cost		
Units in liquidity funds	9,838	7,782
Debt securities and other fixed income securities	82,088	78,552
Total cost of financial investments	91,926	86,334

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.

Of the above financial investments, £nil (2018: £nil) is expected to be recovered more than one year after the Statement of financial position date.

(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 Company 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.

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 where 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.

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

	Level 1	Level 2	Level 3	Total
2019	£'000	£'000	£'000	£'000
Assets held at fair value				
Units in liquidity funds	9,838	-	-	9,838
Debt securities and other fixed income securities	-	82,579	-	82,579
Total assets held at fair value	9,838	82,579	-	92,417

	Level 1	Level 2	Level 3	Total
2018	£'000	£'000	£'000	£'000
Assets held at fair value				
Units in liquidity funds	7,782	-	-	7,782
Debt securities and other fixed income securities	-	78,843	-	78,843
Total assets held at fair value	7,782	78,843	-	86,625

(c) Transfers between levels

The Company's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the year there were no transfers between levels.

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

There were no level 3 financial assets or liabilities held at fair value in the current or prior period.

(e) Assets transferred that have not been recognised

The Company trades under the terms of a set of legal agreements between the Company and JRL. Under the terms of these agreements the Company agrees to purchase callable bonds from JRL in exchange for the issue of loan notes. These transactions are undertaken on an arms-length basis using the fair value of the callable bonds. However, under the agreements JRL retains substantially all the risks and rewards of ownership of the transferred assets and therefore under IFRS 9 these assets continue to be recognised in the Statement of Financial Position of JRL and not in the financial statements of the Company. Consequently, the loan notes issued by the Company are also not recognised in the Statement of Financial Position of the Company.

The table below summarises the financial assets that have been transferred and the loan notes that have been issued as consideration for the assets transferred.

	2019	2018
	£'000	£'000
Transfers (from)/to JRL:		
Loan notes issued by the Company to JRL	278,342	329,267
Debt securities and other fixed income securities	(278,342)	(329,267)

9 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash available on demand	8,980	9,245
Cash and cash equivalents	8,980	9,245

10 Share capital

The allotted and issued ordinary share capital of the Company at 31 December 2019 is one ordinary share of £1 (2018: One ordinary share of £1).

11 Loans and borrowings

	2019 £'000	2018 £'000
Reserve fund	66,530	54,451

The Company has a reserve fund in place provided by JRL to support liquidity requirements and to provide credit enhancement to meet stress. Interest is charged at 3M LIBOR + 0.35% and is paid monthly in arrears. The facility is repayable in over one year. The loan notes issued by the Company are assigned a credit rating.

12 Payables

	2019 £'000	2018 £'000
Amounts due to group undertakings	34,873	40,752
Other payables	-	672
Total payables	34,873	41,424

Payables due in more than one year are £34.9m (2018 £40.7m).

13 Capital Commitments

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

14 Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019 (2018: nil).

15 Financial risk management

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

(a) 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.

As explained in the Strategic Report the Company was created to support JRL's Solvency II matching adjustment requirements and to split JRL's callable bonds into notes that will be held in the matching adjustment portfolio (MAP) and notes which will be held outside the MAP. Under this structure, JRL retains substantially all the risks and rewards of ownership of the callable bonds transferred to the Company. The notes issued by the Company are supported in part by pre-funded collateral, and in part by a liquidity facility, both provided by JRL.

Market risk represents both upside and downside impacts but the Company'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 Company's investment portfolio will also affect the Company's financial position.

Interest rate risk

The Company is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both.

The Company's exposure to changes in interest rates is concentrated in the investment portfolio as this affects the size of the collateral to be held by JRe2 to support the rating on the notes it issues to JRL. As JRL is dependent on maintaining the rating

on the notes for its matching adjustment, JRL is a willing provider of collateral to the Company to support the notes.

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

	Less than one year £'000	One to five years £'000	Five to ten years £'000	Over ten years £'000	No fixed term £'000	Total £'000
2019						
Units in liquidity funds	9,838	-	-	-	-	9,838
Debt securities and other fixed income securities	82,579	-	-	-	-	82,579
Total	92,417	-	-	-	-	92,417

	Less than one year £'000	One to five years £'000	Five to ten years £'000	Over ten years £'000	No fixed term £'000	Total £'000
2018						
Units in liquidity funds	7,782	-	-	-	-	7,782
Debt securities and other fixed income securities	78,843	-	-	-	-	78,843
Total	86,625	-	-	-	-	86,625

(b) Credit risk

Credit risk arises if another party fails to perform its financial obligations to the Company, including failing to perform them in a timely manner. The credit risk retained by the Company is low as its investments are in cash and gilts.

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 which for the Company are cash and gilts. 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.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.

The following table provides information regarding the credit risk exposure for financial assets of the Company, which are neither past due nor impaired at 31 December.

	UK Gilts £'000	AAA £'000	AA £'000	A £'000	BBB ¹ £'000	Unrated £'000	Total £'000
2019							
Units in liquidity funds	-	9,838	-	-	-	-	9,838
Debt securities and other fixed income securities	-	-	24,243	48,245	10,091	-	82,579
Total	-	9,838	24,243	48,245	10,091	-	92,417

	UK Gilts £'000	AAA £'000	AA £'000	A £'000	BBB ¹ £'000	Unrated £'000	Total £'000
2018							
Units in liquidity funds	-	7,782	-	-	-	-	7,782
Debt securities and other fixed income securities	-	-	23,900	54,943	-	-	78,843
Total	-	7,782	23,900	54,943	-	-	86,625

1 Includes BBB and below.

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

(c) Liquidity risk

As JRL retains all the risks and rewards of ownership of the callable bonds transferred to the Company, the Company is not directly exposed to liquidity risk. The notes issued by the Company are supported in part by pre-funded collateral, and in part by a liquidity facility, both provided by JRL. If JRL does not provide the required collateral or liquidity, the notes issued by the Company may downgrade in terms of their credit rating. As JRL is dependent on maintaining the rating on the notes for its matching adjustment, JRL is a willing provider of collateral to the Company to support the notes.

16 Related parties

All transactions with related parties are carried out on an arm's length basis.

a) Trading transactions and balances

The following transactions were made with related parties during the year:

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Transfer of expenses and income from JRL	151	(187)

The Company also entered into transactions with its immediate parent company JRL in respect of the purchase of financial assets in exchange for the issue of notes as described in note 8(e).

The following balances in respect of related parties were owed by the Company at the end of the year:

	2019 £'000	2018 £'000
Just Retirement Limited	101,403	95,202
	101,403	95,202

b) Key management compensation

Key management personnel comprise the Directors of the Company.

There were no other material transactions between the Company and its key management personnel.

17 Ultimate parent company

The immediate parent company of Just Re 2 Limited is Just Retirement Limited, a company incorporated in England and Wales.

The ultimate parent company of the group in which the results of Just Re 2 Limited are consolidated is Just Group plc, a company incorporated in England and Wales.

18 Post balance sheet events

The U.K. along with much of the rest of the world is currently in the middle of a pandemic caused by Covid-19. The Strategic Report contains an update on the potential impacts on the Company (see page 2).

There are no other post balance sheet events that have taken place between 31 December 2019 and the date of this report.