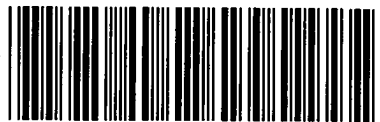


Company number: 08568957

Everyone deserves a just retirement

**Just Retirement Group plc
Annual Report & Accounts 2014**

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Everyone deserves a just retirement

Established in 2004, Just Retirement is a specialist UK financial services group focusing on high growth segments of the UK retirement income market. Just Retirement is a leading and established provider of individually underwritten annuities and lifetime mortgages.

Financial & operational highlights

(Year ended June 2014)

Financial highlights

- IFRS operating profit up 2%, underlying operating profit before tax of £97m, 3% lower than FY 2013
- Total new business sales £1,751m, up 6%. Defined benefit de-risking successes and strong mortgage volumes offset weak individual annuity sales post-Budget
- Group embedded value grew to £959m after inclusion of the proceeds from the successful completion of the IPO in November 2013
- Strong capital position. Economic capital coverage ratio of 178%, Pillar 1 cover of 236%

Operational highlights

- Individually underwritten annuity activity levels have settled at slightly below half of pre-Budget levels
- Our defined benefit de-risking team wrote £92m of premiums in FY 2014 from a standing start, including a £37m transaction, which we believe to be the largest medically underwritten bulk deal to date
- Prompt action on costs following Budget, with £14m of targeted savings implemented
- Announcement of £5m of additional development spending ahead of the new pensions regime
- Final stages of PrognoSys™, the Group's next generation underwriting system, to be rolled out for pricing
- 9th consecutive Financial Adviser 5 star award for service and 5th consecutive top 100 placing in the Sunday Times "Best Companies to Work For in the UK" survey

Total new business sales

£1,751m

6% higher than FY 2013

Underlying operating profit before tax

£97m

3% lower than FY 2013

Group embedded value

£959m

£163m higher than FY 2013¹

Economic capital coverage ratio

178%

184% in June 2013¹

¹ JRG plc pro forma for 2013 including IPO proceeds.

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At a glance

“An innovative specialist financial services group providing individually underwritten annuities and lifetime mortgages, with a growing presence in new segments of the retirement income market.”

We have leading propositions in our core markets

No1 in Individually
Underwritten Annuities

33%
Market share

No2 in Lifetime Mortgages

28%
Market share

We are expanding our customer propositions to deliver growth in the broader retirement income market

New product:

Fixed Term Annuities

Launched in:

2011

Care Annuities

2013

Defined Benefit De-risking Solution

2013

Our credentials

9th consecutive Financial Adviser
5 star award for service

We have a great place to work

5th consecutive top 100 placing in the
Sunday Times "Best Companies to Work
For in the UK" survey

We have an experienced management team

>100

Years of combined relevant experience

We have unrivalled intellectual property

>750,000

Person years of experience to determine
our life expectancy assessments

We have strong distribution relationships

19%

Share of business from the top ten
network distributors

Our products deliver

Better value

To people at and in-retirement

We are a fast growing business

>275,000

Customers from a standing
start 10 years ago

Chairman's statement

The year ended June 2014
has been a very important
year for Just Retirement
and for its shareholders.

It gives me great pleasure to introduce Just Retirement's 2014 Annual Report. The Group has made good progress, delivering a strong set of results in a very challenging market and providing excellent value to our customers. The past twelve months have been very important for Just Retirement and our new shareholders as we successfully completed our listing on the main market of the London Stock Exchange.

Freedom and choice

The Group achieved record results in a number of areas this year although the performance has been somewhat overshadowed by the March Budget. The announcement by the Chancellor of the Exchequer that pension savers would be provided with additional freedoms came as a complete surprise to members of Just Retirement's Board and to all companies in our industry. It is the most significant reform of the pensions system since 1920 and has had a material impact on our sales of individual annuities since the Budget announcement and the price of the company's shares.

Operating performance

The Group's underlying operating profit was £96.7m, a reduction of 3.3% over the year. This is 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 underlying operating profit as a key indicator of the performance of the business and a useful measure for investors and analysts to use to assess the Group's financial position. This compares to an increase in profit before tax of £14.5m, which benefited from lower finance costs following the IPO.

Total new business sales grew by 6% during the year to reach £1.751bn marking a new record for the Group.

The economic capital base of the Group has been strengthened significantly and the coverage ratio is now 178%, which compares favourably with our peers in the UK and Europe. The growth in the economic capital coverage reflects the net proceeds received from the IPO and the overall level of profitability achieved in the year.

Dividend

During the initial public offering we indicated we would manage the Group's capital base to support a dividend payment to shareholders. The Board applies strict affordability tests against a range of criteria before making its dividend recommendation. I am pleased to report that the Board is recommending a final dividend payment for 2014 of 2.2 pence per share, in line with our expectations at the IPO.

Board and governance

A Board operating in financial services needs to be strong in relevant expertise, not only to support the management team, but also to provide the appropriate challenge. Since our listing we have made a number of changes to expand the Board and to complement the strengths of existing directors.

Keith Nicholson became Senior Independent Director on 9 October 2013 and is Chairman of the Risk and Compliance Committee.

Kate Avery joined the Board on 9 October 2013 as independent Non-executive Director and is Chairman of the Remuneration Committee.

On 30 April 2014 Michael Deakin joined the Board as independent Non-executive Director and is Chairman of the Just Retirement Limited Investment Committee.

I am confident these changes will ensure the Board is well placed to support management in developing and executing the Group's strategy.

Les Owen has decided not to stand for re-election at the Annual General Meeting. I would like to put on record my thanks for his immense contribution to the Board over the last four years.

Clifton Melvin, Charles Sherwood and Keith Jones have retired from the Group following the IPO and I would like to express my thanks to each of them for their trusted advice and contribution to the Board and Committees.

Our people

It has been a challenging year for colleagues in our Group businesses. As part of our rapid response to the changes announced in the Budget we implemented a cost reduction programme and unfortunately had to say goodbye to a number of colleagues who have served the business well. Despite this, our people have retained their focus on the business and continue to apply their talents to deliver outstanding service to our customers and business partners. I am grateful to the Non-executive Directors and Executive Directors in joining me in contributing to the cost reduction programme by reducing their compensation packages in 2014/15.

We have aligned colleagues' interests with shareholders' through the launch of our employee share plan and colleagues will be able to benefit in the Group's future success.

The Board is very grateful for the continued effort and support of all Just Retirement people throughout this period.

Our communities

We have continued to support Group colleagues with charitable giving through a corporate matching arrangement and by facilitating help for other fundraising activities. In 2013/14, our two corporate charities were St Catherine's Hospice in Crawley and Alzheimer's Research UK.

Future prospects

We continue to face uncertainties and headwinds ahead of the Budget changes taking effect next April. We are very fortunate to be competing in a structurally high-growth market where our customer solutions contribute to improving the lives of increasing numbers of people.

Just Retirement continues to hold leading positions in the markets we serve. We are an innovative company with strong intellectual property and a track record of positively disrupting markets by introducing new propositions that deliver improved outcomes for customers. Applying our credentials to new challenges and maintaining absolute focus on the needs of our customers will ensure we deliver value for our shareholders.

I am confident that under the leadership of the Group's Chief Executive, Rodney Cook, we are well positioned to introduce further innovation to the market that will deliver superior benefits leading to a just and fair retirement for the next generation of people approaching and in retirement.

In closing, on behalf of the Board, I would like to thank our colleagues across the Group along with our distribution and business partners for their support in delivering strong results in 2014.

Tom Cross Brown
Chairman

17 September 2014

Our market

“Just Retirement competes in the retirement income market which benefits from a significant potential for long-term structural growth.”

The dynamics of the retirement market

Introduction

People aged 65 or more hold around one-third of UK total personal wealth (Source: ONS). As the population ages, the value of these assets continues to grow in both absolute terms and as a percentage of national wealth. In retirement, these customers typically need financial products that convert their assets into income. This represents a sizeable and rapidly growing market opportunity for Just Retirement.

Ageing population

The number of people over the age of 65 is forecast to increase from under 12m in 2013 to almost 14m in 2023 and over 16m in 2033 (Source: ONS). This trend, caused by baby boomers reaching retirement and increasing life expectancies, provides a long-term basis for growth in the market for retirement income products.

Increasing assets held by individuals entering retirement

Along with high numbers reaching retirement age, there is more wealth flowing annually into the retirement market, a trend that is expected to continue. The assets held by people entering retirement are estimated to have grown from £76bn in 2009 to £107bn in 2013, representing a compound annual growth rate of 9% per year. Out of the £107bn of assets we have estimated that £59bn was property, £18bn was held in personal pensions, whilst the remaining £30bn was other assets, such as ISAs, direct investments and cash deposits (Source: Just Retirement analysis).

Reducing reliance on Government funding of retirement income

Against this backdrop, the UK Government is progressively seeking to reduce retirees' reliance on the State Pension by implementing plans such as increasing the age at which an individual is entitled to receive a State Pension and promoting personal retirement savings through auto-enrolment, and the creation of the National Employment Savings Trust ("NEST"). Just Retirement is one of only five providers on NEST's annuity panel.

A switch from defined benefit to defined contribution pensions

Over the past 10 years or more the availability of defined benefit ("DB") pension schemes has been in decline, as they become less attractive and more costly to companies. As a result, defined contribution ("DC") pension schemes have become more prevalent, supported by initiatives such as "stakeholder pensions" and more recently "auto-enrolment".

The switch to DC schemes will drive further growth in the markets Just Retirement serves. In 2005, there were estimated to be £1.1tn of total pension assets of which only 33% were held in DC schemes. By 2010, DC schemes accounted for 40% of the £1.5tn of assets, and by 2015 DC schemes are projected to hold 48% of £1.8tn, or £0.9tn, of pension scheme assets.

Increased need for innovative retirement income solutions

The factors described above, coupled with lower interest rates on savings, increased long-term care costs and an increasing proportion of wealth held in residential property, mean retirees face many complex decisions on how they ensure they have sufficient retirement income to fund the active lifestyle in retirement that they increasingly expect and long-term care costs. These challenges are stimulating demand for innovative private retirement income solutions, which we expect to increase the size and depth of our market.

Freedom of choice

On 19 March the UK's Chancellor of the Exchequer announced changes to the rules surrounding the way consumers may access their pension savings. Interim rules have been put in place and new rules, which will come into effect from April 2015, are currently in consultation. In addition, the Government has confirmed that free Guaranteed Guidance will be given to all people reaching retirement. This is intended to help people better understand their options in retirement and to make informed choices.

The impact of these changes on the retirement income market after April 2015 is as yet unclear. However Just Retirement is generally supportive of the changes, as they give consumers something we have been campaigning for since we started business in 2004 – choice!

Once Guaranteed Guidance is successfully implemented in April 2015, the Group believes that there will be a return to growth in the secure income market. Many customers in our target market will continue to use all or some of their pension savings to purchase a secure income for life. Recent surveys found that 74% of people want certainty of income for life (Source: PwC) and that the security of a guaranteed, fixed income for life is a top priority at retirement (Source: Bdifferent).

The sectors in which we operate

The individually underwritten annuity market

Annuities have been the product of choice for consumers to provide a secure income for life during retirement from their DC pension savings. In 2013 we estimated that of the £15.7bn of retirement income products sold over 77% were annuities. The majority of people budget to live to a specified level of income. After ceasing paid work this is replaced in the main by the State, savings and private pension income. The fundamental needs of people at or approaching retirement will be the same in 2015 as it is today.

At the heart of people's savings and investment portfolio will be a product solution to generate a level of guaranteed income to top-up the State Pension to generate an individual's personal minimum income requirement, the amount needed to pay for essentials. For those people who have excess assets beyond those required to secure that amount of income then some people may go on to seek access to capital and income on demand to meet other expenditure.

Our market continued

Just Retirement has commissioned independent research to determine how people intend to use the new pension freedoms from April 2015. People become less willing to take investment performance risk as they approach later life and are typically more risk averse. Generating a secure income with all or some of their pension assets is a priority for the majority of those who participated in our recent research studies.

The annuity market in the UK has experienced significant highs and lows over the past two years. Total annuity sales in the UK had fallen to £1.8bn by Q2 2014 (Source: Association of British Insurers), having peaked at £3.9bn during Q4 2012, before the implementation of the Retail Distribution Review. Total UK annuity sales contracted by 28% alone during Q2 2014 from £2.5bn, primarily as a result of pension reforms announced in the Budget, and by 42% for the 12 months ending June 2014.

Just Retirement specialises in the individually underwritten annuity ("IUA"), which is ordinarily represented in the enhanced segment of the total market. Whilst falls in the total market will clearly impact each market segment, some segments may be more affected than others. The enhanced market increased its share of the total market from 32% at June 2013 to 35% (Source: Towers Watson) at June 2014. These types of annuity take into account an individual's medical conditions and lifestyle factors to provide a secure income for life. Their share of the total annuity market has grown steadily since 2008 when they represented 12% of the total market.

We expect the IUA segment to continue to increase its share of the total market, albeit increasing its share in potentially a smaller market. This expectation is based on a growth in line with a longer life expectancy which is likely to result in more individuals with medical conditions taking out annuities in later life. It is anticipated that by 2018, the number of people with three or more long-term medical conditions in England will increase by more than 50% in comparison to 2008.

The Group has been providing IUA since 2004 and we are currently both the market leader in this segment, and the largest provider of annuities in the open market. IUA are offered to people at retirement with below average life expectancy. Medical underwriting allows us to offer higher incomes than standard annuity writers to customers with medical conditions or lifestyle factors which are likely to reduce their life expectancy.

Defined benefit scheme de-risking solutions market

The UK Buy-in/Buy-out market in 2013 produced premiums of £7.5bn (Source: Lane Clark & Peacock). Until recently, providers of DB de-risking solutions did not medically underwrite scheme members, even though underwriting could potentially benefit both schemes and their members. Medical underwriting permits annuity providers to offer enhanced income streams to beneficiaries compared to their existing DB income or offer the pension scheme trustees a lower cost for the de-risking solution.

Smaller DB schemes (typically schemes with values of less than £30m) offer the most scope for medical underwriting, as the average life expectancy of members is more likely to differ from the national averages which determine non-underwritten pricing. We estimate that the small scheme market comprised about a quarter of the £7.5bn total market in 2013, and that this segment enjoys significant growth potential.

We offer two types of defined benefit propositions:

- Buy-in: A pension scheme can pay a single premium to purchase an income stream that matches its obligations to its members, but the scheme retains legal responsibility; and
- Buy-out: Alternatively, a pension scheme can purchase groups of policies to replicate its obligations to some of its members, who become customers of Just Retirement, who take on the obligation to pay the benefits.

Fixed term annuities market

Fixed term annuities ("FTA") give customers the option to defer the purchase of a traditional annuity while they remain in good health and therefore ineligible for an IUA. They may subsequently buy an IUA if their

health deteriorates. FTA comprise a segment of the more than £1bn per annum income drawdown market. There is no investment performance risk to the customer as a guaranteed maturity amount is repaid at the end of the plan term, which is then available for reinvestment into another retirement product. We were the first in the UK to give customers the choice to convert their FTA into another retirement income product if their circumstances change before maturity.

Long-term care insurance market

Long-term care insurance provides guaranteed income to cover residential care costs. This is tax-free if paid directly to the care home. Private long-term care spending reached £6.9bn in 2013, but insured solutions represent a tiny proportion of this amount. The market should enjoy significant growth at some point, but until now political uncertainty has constrained this market. The Group launched an immediate needs care annuity in August 2013. The launch was made in conjunction with an exclusive five-year partnership with Saga plc.

The lifetime mortgage market

The lifetime mortgage ("LTM") market allows homeowners to realise some of the equity value of their home without having to move out. Given the frequent need to supplement inadequate retirement income, property is becoming an increasingly important means of funding retirement.

The Group believes the structural drivers for growth in the LTM market are strong. The market remains significantly underpenetrated, given that total home equity of retirees is approximately £300bn to £400bn. Growth will continue to be driven by:

- Changing attitudes towards retirement;
- Policymaker support;
- Insufficient savings or high indebtedness among retirees; and
- The cost of paying for long-term care.

The Group has been providing lifetime mortgages since 2005 and is now the second largest provider in the market. We were the first provider to launch a drawdown lifetime mortgage, which provides additional flexibility to draw down cash as and when it is needed.

Business model

The Group's business model combines a tried and tested operating model with extensive IP together with a financial model which enable the Group to deliver value to all of its stakeholders. The effective operation of the business model, together with the skills of the workforce and key external relationships, means that customers are offered a better retirement income and shareholders an attractive and sustainable return on their investment.

Scalable operating model

- Highly automated underwriting
- Multi-channel distribution
- Leading service, reputation and brand
- Flexible business infrastructure

Proprietary IP

- Unrivalled proprietary data for the IUA product
- Experienced medical team
- Next generation underwriting system: Prognosys™

Financial model

- Capital efficient model
- Investment management strategy
- Financial risk management

Scalable operating model Automated underwriting ensures scalability

The Group differentiates its service delivery through the use of automated underwriting, giving financial intermediaries the confidence that, for the majority of their customers, they can rapidly get real-time guaranteed prices. This is reflected in our proud record of Financial Adviser 5 star awards. Additional tests for those with the most complex or severe medical conditions, together with sample testing in other segments, give us confidence that our automated system is delivering reliable data.

Multi-channel distribution

Just Retirement continues to pursue a multi-channel approach to distribution which the Directors believe ensures that nearly every brokered IUA quotation on the open market is presented by an intermediary to Just Retirement. This gives us the greatest possible opportunity in the market to provide competitive terms and secure the business.

Historically, financial intermediaries (both non-specialist and specialist) have been the most important distribution channel for both IUA and LTM products. Just Retirement actively seeks to support broad panels and whole-of-market distribution through the provision of its service and software solution capability, including The Open Market Annuity Service ("TOMAS™").

TOMAS™ provides bespoke and standard software and telephone support services that enable its business-to-business customers to deliver whole-of-market broking services on both an advised and non-advised basis. TOMAS™ powers the largest high street annuity service and is the leading platform providing services to access defined contribution pension schemes. TOMAS™ embeds its technologies into partner systems and processes, and reinforces the Group's distributor relationships by supporting whole-of-market distribution in support of the Open Market Option.

With respect to emerging channels, Just Retirement has arrangements with leading life insurance companies enabling access to their significant and relevant customer bases and we are expanding our presence in, and penetration of, online distribution channels, in particular through price comparison websites and affinity partners, in order to anticipate the future longer-term growth of this distribution channel.

Just Retirement has also set up the Annuity Service, an annuity purchasing solution, to extend the Group's penetration of the affinity partners and fast-growing digital channels. In addition, Just Retirement is using direct sales capabilities through its own sales subsidiary, Just Retirement Solutions Limited, a leading provider of lifetime mortgage advice and sales capability for customers of affinity partners, which supports the extension of Just Retirement's products into new product markets where advice capabilities are not readily available.

Leading service, reputation and brand

Just Retirement is a trusted brand, with market-leading service quality and a strong social purpose. Since its inception, we have been a leader in the IUA market, bringing about market reform and championing the Open Market Option. Just Retirement is recognised as a market leader for innovation, supporting the cause of delivering better outcomes for customers and delivering the highest quality of service.

We have set out to differentiate ourselves in terms of the way we deal with customers, distributors and regulators, in order to create a strong brand and culture which we believe highlights the quality and reliability of our expertise within our chosen markets.

The Group has received a number of awards during the year, including Moneywise Best Enhanced Annuity Provider, Money Marketing Gold Service Award in the annuities category and Financial Adviser 5 star awards in both the life and pensions and mortgage categories.

Flexible business infrastructure

The Group continues to invest in its highly automated and scalable underwriting system to operate its business and provide a platform to exploit future market growth and development. The Group's underwriting process is automated with over 99% of initial annuity quotes provided on an automated basis. This enables Just Retirement to provide binding quotes off standardised data forms from all distributors in the marketplace, which in turn enables Just Retirement to service a wider range of distributors.

The Group retains significant discretion when directing future IT investment and has the flexibility to adapt to changing business requirements. In addition, the Group's systems architecture can be scaled efficiently to provide additional capacity on demand.

Proprietary IP

The Group's proprietary database, which has over 750,000 person-years of experience collected over 10 years of operations, provides significant insights into pricing and risk selection. In addition, the Group's database has been enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature, which extends the Group's intellectual property. This is key in providing customers, especially those whose medical conditions or lifestyle factors reduce their life expectancy, with retirement products that produce better value compared with standard annuities. The Group's intellectual property also provides insights into the pricing of LTM loans.

Since 2011, the Group has enhanced its IP further by embarking on the Prognosys™ programme, investigating over 20m medical research citations, 20,500 abstracts and some 2,500 final publications. Employing a team of professionals, including qualified and experienced medical experts, has enabled pricing and reserving processes to be improved. As a result, the Group competes in the market with high confidence in both our reserves and our ability to price longevity risk whilst the Group's reserving is now informed by the medical insights gained from Prognosys™. The final phase of the Prognosys™ programme implementation will be completed by the end of 2014.

Just Retirement has sustained its competitive advantage in a rapidly developing market place. Prognosys™ makes use of our experience data, as well as overlaying leading edge medical research insights. This provides unrivalled IP which, together with a robust financial model and a scalable platform, will allow the Group to continue to generate strong returns for investors and improved outcomes for customers.

Business model continued

Financial model

Capital efficient model

The Group creates value by taking on those risks for which it believes it can be rewarded, whether by its customers or by the investment market. The Group believes that it creates this value by:

- Accepting the uncertainty of future life expectancy from customers exhibiting certain medical conditions and lifestyle factors;
- Investing in fixed income and inflation-linked instruments; and
- Providing liquidity to homeowners who wish to access the value of their residential properties.

The Group's business model is designed to source these risks as follows:

- Using financial intermediaries to sell annuity products to customers seeking certainty of income in retirement;
- Investing the premium it receives in corporate bonds, gilts and cash to match annuitant liabilities; and
- Sourcing LTM directly, via intermediaries and partners, and by financing other equity release providers.

A summary of the Group's financial business model is set out below.

A complementary product set and robust investment policy enable Just Retirement to optimise risk-adjusted returns for shareholders, whilst ensuring that cash flows from its financial asset portfolio are sufficient to meet the annuity payment obligations arising from the Group's annuity portfolio.

The Group's main product lines, retirement annuities and LTM loans, are complementary from a cash flow perspective. At the point of annuity sale, Just Retirement receives a large cash lump sum from the annuitant, which it invests in a combination of financial assets and LTM. The Group aims to invest approximately 25% of its annuity premiums into LTM, which offer a higher risk-adjusted yield compared to limited supply of long-dated corporate bonds, a better duration matching and an effective longevity hedge for its IUA business.

Investment strategy

The Group's assets under management have grown significantly and the Group is able to take advantage of different asset strategies to diversify asset risks taken, thereby reducing the Group's capital costs and improving the overall level of returns earned.

The Group manages its portfolio to low levels of risk. With regards to corporate bonds, 64% of the total asset portfolio is invested in corporate bonds and gilts with a rating of A or above, and the Group actively monitors the quality of the portfolio. To date, there have been no defaults on bonds held by the Group. With regards to the Group's LTM portfolio, we are able to exercise a high degree of control over the quality of mortgages advanced, as these are primarily sourced directly from customers, rather than acquiring books of mortgages originated by third parties. Our no-negative equity guarantee feature has yet to be triggered after almost 10 years in the market, and

reflects the quality of the mortgage portfolio. The loan to value ("LTV") ratio of the LTM portfolio continues to be within our target range at 25%.

Financial risk management

The Group's operating model is complemented by a conservative approach to risk management, with reinsurers taking 66% of longevity risk under our qualifying IUA new business. The Group transfers longevity risk from its own balance sheet to that of the reinsurer, but with the flexibility to recapture business if longevity is shorter than expected. This results in a lower regulatory capital requirement and supports Just Retirement's growth profile, whilst enhancing returns through the retention of investment risk.

Just Retirement has been able to secure reinsurance to optimise regulatory capital requirements, reduce the volatility of future profits and enhance price competitiveness.

The Group is primarily managed on an economic capital basis ("EC") and the EC coverage ratio of 178% exceeds the Group's long-term risk appetite target of 140% by a comfortable margin. The Group also ensures that it holds sufficient capital to meet its risk appetite in relation to regulatory capital requirements.

Summary of the Group's business model

Key resources and relationships

Customers

Just Retirement has always recognised and responded to the needs of its customers. Ongoing programmes of customer surveys, including organised feedback, focus groups and the implementation of a fully integrated complaints process, provide the Group with vital insights into our performance and service proposition. Our 2013/14 survey showed that 91.7% of customers rated the Just Retirement service as either good or very good, and we will continue to request feedback in order to structure a range of initiatives to not only maintain this position, but also improve the customer experience.

Treating customers fairly is aligned to the Group's cultural heritage and philosophy about how its business should be conducted with customer-led decision making at the heart of the business. The Group provides leading services by understanding its customers, keeping its promises and seeking to exceed customer expectations.

Reinsurers

Since its inception in 2004, Just Retirement has been working with Hannover Re, widely regarded as the leading global reinsurer in the IUA market. In addition to this long-standing relationship, we have developed partnerships with other leading reinsurance firms, with the diversification of the Group's reinsurance arrangements supporting competitive pricing.

Government

A key approach of Just Retirement is to positively engage with Government and regulators to encourage effective competition and better customer outcomes.

Just Retirement engages with ministers, government officials, regulators and other policy makers directly and through trade bodies. As a leader in the markets we serve, Just Retirement is well placed to share our customer and market insights.

Our efforts during the last year have been to support ministers and their officials to understand how the market for care funding could develop and how a public and private partnership could operate. We have shared our considerable knowledge of people's attitudes towards using the equity in their homes to stimulate new policy considerations to help alleviate poverty for hundreds of thousands of pensioners.

There is no doubt that the Government's pension reforms took Just Retirement and the rest of the industry by surprise. However, we have strongly campaigned to ensure the Government's guidance guarantee is unequivocally independent of commercial bias and, through the eyes of the user, seen to be. If the national Guaranteed Guidance service is sufficiently broad and deep in scope it has the potential to encourage more people to shop around and purchase retirement products from an open, transparent and competitive market. There will be many customers who may not access Guaranteed Guidance and we are asking the Financial Conduct Authority and the Pensions Regulator to ensure there are robust conduct rules in place to protect people from inadvertently making poor choices.

We will continue to support and challenge the bodies accountable for ensuring competition is effective and consumer protection is proportionately applied to make sure people approaching and in-retirement have access to a competitive market and organisations that take advantage of customer inertia are scrutinised.

Suppliers

The Group outsources certain operational and administrative functions where appropriate. This includes areas such as investment management, customer medical assessments and the administration of annuity payments in relation to certain defined benefit de-risking solutions. The relationships with the suppliers of these services are managed through dedicated teams.

Our people Development

Developing our people is central to our overall business strategy and this commitment to our employees is set out in our learning and development policy. Our development initiatives align with business requirements and typically focus on strengthening technical knowledge, role-specific skills, and behaviour in line with our competency framework.

Following the successful completion of our IPO, all employees received training on market abuse legislation training and information security best practice. Key learning initiatives during 2013/14 financial year focused on product developments, coaching skills and change management.

Our entry into the care market saw our sales and administration teams receive specialist training to help them understand more about the needs of this particularly vulnerable customer group.

As part of our preparations for Solvency II, our blended-learning approach ensures all of our employees are aware of key legislative changes, while delivering detailed technical training in the most relevant and effective way.

All new Just Retirement employees attend a comprehensive one-day induction shortly after joining. This ensures that all our employees have a basic understanding of our business and the regulatory landscape in which we operate.

Diversity

The Group recognises the importance of diversity amongst its employees and is committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. All Just Retirement Group employees are required to demonstrate annually that they understand UK equality legislation and how it applies to the workplace.

Our senior management team is comprised of 82% men and 18% women, whilst the Board is comprised of 89% men and 11% women. Overall, the male/female split is 55%/45%.

Benefits

Just Retirement offers a competitive range of benefits to employees, including life assurance and income protection, from their commencement with the Company. Employees also have the opportunity to join the private medical insurance scheme and sign up to receive other benefits, including dental insurance, retail vouchers, gym membership, holiday buy/sell and retirement planning. Salary sacrifice schemes providing National Insurance and tax savings are available for childcare vouchers and cycle-to-work. To support employees in planning for their future, Just Retirement offers a salary sacrifice Group Personal Pension scheme.

Strategic objectives

Just Retirement's vision is to become the leading retirement brand, known and trusted for enriching customers' lives.

In this way we will generate attractive shareholder returns and profitable growth, deploying a robust and capital efficient business model. Just Retirement intends to achieve this by continuing to build and leverage the Group's proprietary IP and underwriting capability.

Objective	Why this is important
Optimise returns from our core annuity and lifetime mortgage franchises Capitalising on growth opportunities to boost shareholder return through our established business lines	In the short to medium term, pending development and establishment of new diversified revenue lines, the majority of our profit will come from value generated from the Group's core business lines of IUA, LTM and DB de-risking product categories. The LTM and DB de-risking markets continue to demonstrate strong growth and the Group believes secure income solutions will remain an integral part of retirement planning for many customers, especially when medical conditions and lifestyle factors make their life expectancy uncertain. The Group believes that following successful implementation of Guaranteed Guidance in April 2015, there will be a return to growth in the annuity market, as increasing numbers of customers are provided with impartial support and encouraged to seek competitive deals in the open market.

In light of the recent market developments, this capability will enable the Group to respond effectively by developing new products in the wider at- or in-retirement market. As a result of current market difficulties and uncertainty regarding the likely size of the annuity market post the changes announced in the 2014 budget and unknown competitor responses post April 2015, the Group's strategy is based on adapting the current proposition to diversify its income and profit streams.

Since the Budget announcement the Group has worked closely with government officials, consumer groups and policy makers to share ideas on how the Guaranteed Guidance service could be designed and how changes to the tax and product rules could be structured to enable further innovation in the market.

Alongside this approach, the main strategic objectives of the Group include:

- Optimise returns from our core annuity and lifetime mortgage franchises;
- Continue to strengthen our unrivalled proprietary IP and scalable operating model;
- Extend product innovation and diversify the business; and
- Realise the potential of the workforce.

How this will be achieved

Just Retirement will maintain its open and positive dialogue with government officials and regulators, especially in light of the recent changes to the UK pensions regulatory environment. The Group will continue to seek to influence the outcomes of these proposals and lead the campaign to ensure customers make more informed choices as they start to access their pension savings.

New market segments – using the Group's longevity IP, Just Retirement will seek to increase its share in segments of the markets where the Group is currently under-represented.

Distribution – Just Retirement will continue to invest in relationships with its established distributors and develop new distribution channels, leveraging its award winning service proposition and leading digital sales and service solutions, including TOMAS™.

Expenses – to align capacity with the evolving retirement income landscape, Just Retirement initiated a Group restructure in May 2014, which aims to deliver £14m of cost savings in 2014/15. The cost base will be subject to continual scrutiny to ensure that resources are efficiently deployed in line with strategic objectives.

Investment – the Group will continue to evolve its investment strategy to create additional value whilst maintaining a prudent approach.

Strategic objectives continued

Objective	Why this is important
Continue to strengthen our unrivalled proprietary IP and scalable operating model Maintaining the quality of our competitive advantage and other strengths of our operating capability	The Group's proprietary longevity IP provides a significant competitive advantage, enabling the Group to compete successfully in its target segments of the retirement income market. The IP delivers significant insight into key opportunities within the market. <i>Maintaining a scalable operating model combined with leading service and a trusted brand are important to ensure that the Group can meet current and future demand in the sectors in which it operates.</i> The Group's operating model needs to continuously evolve in response to changes in the regulatory landscape.
Extend product innovation and diversify the business We will continue to cater to the evolving needs of our target consumers	Following the Budget and subsequent legislation, people will have additional access to their pension savings. The Government is also removing some of the constraints that have inhibited the development of products providing customers with more flexible guaranteed income solutions. Just Retirement will now use these new freedoms to introduce further innovation into the retirement income market. The Group's core offerings have primarily focused on the UK. To reduce geographical concentration risks, we continue to assess expansion into overseas markets.
Realise the potential of our workforce We will encourage our people to achieve their potential, allowing us to deliver quality service to our customers	The Group's employees underpin the delivery of all aspects of our business performance. The depth of experience and expertise within the workforce has enabled Just Retirement to capitalise on growth opportunities and deliver award winning customer service. Our values underpin the way the Group's employees do business. The alignment of performance management objectives to the Group's values is critical in achieving the strong performance achieved year-on-year.

How this will be achieved

Phase II of our next generation underwriting system, Prognosys™, was initiated in 2013 and full implementation of this capability is due to be completed by the end of 2014. This will allow the use of an approach to underwriting that uses individual mortality curves. This will enable improvements in product pricing and margins, whilst maintaining prudent reserves.

The Group's Solvency II programme is on track to deliver in line with the full regulatory timetable. We will continue to invest in improving internal processes, external reporting procedures and the IT estate to ensure compliance is achieved.

The Group plans to continue to use the flexibility of the operating model to extend the product proposition. New tailored products will be launched in 2015 to ensure that the evolving needs of consumers are met. To support this initiative, additional investment of £5m has been committed to development for 2014/15.

The defined benefit de-risking proposition will be promoted to accelerate awareness amongst trustees and their advisers of the benefits of a "deep" underwriting approach. The Group also aims to launch further solutions to segments of this market that are currently under-served.

A prudent evaluation strategy has been adopted to identify international territories with significant market potential for our unique IP and that are accessible to us. Investigations are currently under way to assess entry into overseas markets where the Group's business model may be replicated and incremental growth achieved.

The Group's workforce will continue to be managed to ensure that the emerging talent pipeline supports both our capabilities and long-term ambitions.

A clear link will be established between achieving our priorities and rewarding employees to allow people to reach their full potential.

Strong communication will ensure that all employees have a clear understanding of the Group's direction as well as how their contributions can help achieve the Group's strategic aims.

Chief Executive's review

New business sales amounted to £1,751m for the year ended 30 June 2014, an increase of 6% on the same period last year.

This was a year of extraordinary highs and lows for the team at Just Retirement. With the annuity market gaining momentum in the last half of calendar year 2013, the successes the business delivered in the first nine months of our financial year were somewhat overshadowed by the pension reforms announced in the Budget, and their effects on our final quarter. However, I am still extremely proud of our achievements, the key highlights of which included a successful IPO and yet another year of record new business results – they speak volumes for the quality of our people and our business.

My review discusses in more detail some of the operational and financial highlights during the 2013/14 financial year and provides insights into how we see our business developing over the foreseeable future.

Retirement annuity premium

Retirement annuity premiums form the majority of our business, and are primarily comprised of individually underwritten annuities and defined benefit de-risking solutions. New business premium decreased by 5% to £1,200.5m (2012/13: £1,265.1m). Within this, the Group sold £92.1m of defined benefit de-risking solutions (2012/13: £nil), reflecting the successful launch into this market sector. A new immediate needs annuity product was launched towards the end of 2013, with £2.2m sold in the year (2012/13: £nil).

During the year, the individually underwritten annuity business showed signs of recovering from the market disruption caused by the EU Gender Directive and the Retail Distribution Review. However, following the Budget announcement on 19 March 2014, the open market experienced a significant fall in sales activity as potential customers and advisers took stock of the announcement. Whilst the Board believes that solutions providing a guaranteed income for life will continue to form an important part of customers' retirement planning, there will be a period of uncertainty as the market and customers alike wait for the rules on guidance, tax and new product features to be finalised.

The Just Retirement Group, along with other open market annuity providers, experienced a fall in sales volumes of slightly above 50% compared with the period prior to the Budget, and whilst the decrease was lower than the estimates of some market commentators, our final trading quarter experienced a 13% decrease in annual IUA sales from £1,265.1m for the year ended 30 June 2013 to £1,106.2m at 30 June 2014.

The Board took immediate action to both assess the likely outcome of the changes and put in place plans to not only fast track the development and implementation of new products, but also ensure that the cost base of the business reflected the new world.

Fixed term annuities

Sales of FTA reduced by 6.5% to £73.7m (2012/13: £78.8m). FTA sales had been showing signs of improvement up until the Budget announcement. Despite the slowdown during the last quarter, sales for the last half of the financial year remained at the same level compared with the comparative period of 2012/13. The Board's response to the Budget was to immediately launch a one-year FTA in order to assist customers wanting to take their tax free cash, but allowing them to defer making any other decision until after April 2015.

Lifetime mortgage loans

LTM advances increased by 54% to £476.4m (2012/13: £309.7m). The strong growth in the Group's LTM advances is a significant achievement. The growth in the market has generally been stimulated by house price rises, a continued low interest rate environment, and increasing numbers of retirees with inadequate pension savings. LTM sales performance during the year were strong and represented 40% of annuity premium. The Group's long-term benchmark is to advance around 25% of total annuity premium as LTM loans and steps were taken during the second half of the year to reduce sales towards the Group's preferred ratio.

LTM advances included a wholesale transaction whereby LTM loans amounting to £59.6m were issued simultaneously to a single corporate entity owned by Grainger plc.

Financial highlights

Profit before tax for the year amounted to £92.8m (2012/13: £78.3m), representing an increase of 19% on the prior year. Profit before tax included a restructuring charge of £5.4m (2012/13: £nil), in relation to the Group's cost reduction exercise announced in May 2014, and non-recurring expenses and project expenditure of £7.0m (2012/13: £6.5m), relating to Solvency II, infrastructure improvements and the identification of potential initiatives internationally. Investment and economic profits amounted to £44.1m (2012/13: £48.9m), which mainly arose from the further tightening of credit spreads and improved house prices. Corporate company finance charges of £13.2m and listing costs of £2.3m were incurred, and following the Group's restructure, no further such costs have been charged.

Assets under management have increased to £7.5bn (2012/13: £6.0bn). The Group's focus remains on seeking superior risk-adjusted yields and capital efficiency for the benefit of policyholders and shareholders. The quality of the Group's fixed interest portfolio remains high, with more than 64% invested in bonds rated A or higher.

LTM advances, through a combination of directly originated loans through the Group's own sales teams and purchasing agreements via third parties, continue to provide the Group with a high quality source of enhanced investment return. The LTV of the LTM portfolio is at 25% (2012/13: 26%).

The Group's liquidity remained robust during the year and its obligations have been comfortably met. Cash and cash equivalents increased by £205.7m from £189.9m at June 2013 to £395.6m at June 2014 primarily as a result of £287m net proceeds received from the IPO. Net cash flows generated from operating activities decreased by £73.9m (2012/13: increase of £41.1m), largely as a result of the strong LTM market and record advances made during the year.

	2013/14 £m	2012/13 £m	% change
Individually underwritten annuities	1,106.2	1,265.1	(12.6%)
Defined benefit de-risking solutions	92.1	–	–
Immediate needs annuity	2.2	–	–
Retirement annuity premium	1,200.5	1,265.1	(5.1%)
Fixed term annuities purchased	73.7	78.8	(6.5%)
LTM loans advanced	476.4	309.7	53.8%
Total new business sales¹	1,750.6	1,653.6	5.9%

¹ Annuity premiums written are included in revenue within the Statement of comprehensive income and FTA sales and LTM advances are deposit accounted.

Chief Executive's review continued

European embedded value ("EEV") amounted to £959.1m at 30 June 2014, which compares to pro forma EEV of £795.8m at 30 June 2013. New business value generated during the year after tax amounted to £114.9m (2012/13: £100.5m). The increase in EEV over the pro forma position was primarily driven by post-tax comprehensive income of £140.1m (2012/13: £67.4m).

The Group's capital position measured under both the Pillar I and economic capital measures, remained strong throughout the year ended 30 June 2014 with coverage ratios achieved of 236% and 178% respectively (2012/13: 170% and 124% respectively). Both capital coverage ratios increased significantly during the year as a result of the new capital received as part of the IPO and positive trading for the year, together with favourable economic changes, such as tighter credit spreads and house price increases.

Business development

In addition to the successful admission of the Company's ordinary shares to the premium listing segment of the Official List and to trading on the London Stock Exchange, the Group continued to execute an extensive development and change portfolio. The Group strengthened its executive management team with two appointments to focus on developing the Group's customer product propositions and to diversify its operations.

The Group has extended its distribution reach and has won new mandates to provide services to leading UK financial service groups including Royal London, Saga plc and Zurich. We have deepened relationships with the top 10 network distributors, increasing share of their business from an average of 15.7% in 2012/13 to 18.9% in 2013/14.

The Group has continued to develop its defined benefit de-risking solutions business, developed new products for the fast growing lifetime mortgage market and established an additional correspondent lending arrangement with a key distribution partner. We have entered the care market with the launch of an immediate needs annuity proposition and continue to explore opportunities for geographical diversification.

Progress with the development of new systems and processes to support Solvency II is on plan and the final stages of the full implementation of Prognosys™ is on target for completion by the end of 2014. In addition, the Group has refined its investment strategy to provide higher quality returns to shareholders and provide customers with a better deal.

Current trading and outlook

The proposed reforms announced in Budget 2014 have created disruption across the market, particularly in those channels where regulated financial advice is provided. The Board continues to believe the majority of customers will look for financial solutions that deliver an income replacement as they transition into retirement. Post-Budget research amongst our target market strongly confirms that the majority of people will continue to seek product solutions that deliver a guaranteed income for life from all or part of their pension savings.

Since the Budget announcement, operating conditions have become much tougher, with IUA sales slightly below half their pre-Budget levels. However, since that time, the Group's model is being adapted to the new environment, in order to offer customers a just deal in retirement and create further shareholder value.

Following a positive performance by the Group's defined benefit de-risking solution business during its first year since launch, the Group will further develop its capability in order to accelerate our penetration into this growing market sector.

And finally...

Just Retirement is not a company that stands still for very long and it has been another busy year, not just for the management team, but for all our employees. Once again, it was very gratifying that the quality of our service was recognised by the industry as we were awarded the Financial Adviser 5 star award for the 9th consecutive year for annuities and the 6th consecutive year for lifetime mortgages – a fantastic and unprecedented achievement. We entered the Sunday Times "Best Companies to Work For in the UK" survey again this year. I am pleased to be able to report that we were again ranked in the top 100, and since entering the survey five years ago, we have appeared in the top 100 each year.

The values of the Group remain unchanged as we move into a relatively uncertain period for our industry, but I am confident those values will help drive the business forward and continue to create benefits for our shareholders, employees and customers.

Rodney Cook
Chief Executive Officer
17 September 2014

Key performance indicators

The Board has adopted the following metrics, which are considered to give an understanding of the Group's underlying performance drivers. These measures are referred to as key performance indicators ("KPIs").

New business operating profit represents the profit generated from new business written in the year after allowing for the setting up of prudent reserves and for acquisition expenses.

New business operating profit has decreased primarily as a result of lower annuity volumes as a result of the impact of the Budget, together with increased competition in the market resulting in lower margins.

In-force operating profit captures the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of product reserving margins over the lifetime of the policies.

The increase in in-force operating profit resulted from the growth in the opening in-force portfolio, but was offset by the impact of falling corporate bond spreads compared to the previous year.

Underlying operating profit is 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, and 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 and position.

New business sales are a key indicator of the Group's growth and realisation of its strategic objectives. New business sales include annuity premiums written combined with LTM advances in the year.

The Budget announcement on 19 March 2014 led to a significant fall in the annuity market as a whole as customers deferred their purchasing decisions ahead of final proposals expected in April 2015. Despite this, the Group once more achieved record sales, surpassing sales generated last year by 5.9%, with strong LTM volumes more than offsetting the decrease in annuity volumes.

EEV represents the sum of shareholders' net assets and the value of in-force business, and is a key 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.

The significant increase in EEV is due to the reorganisation of the Group, net proceeds received from the IPO and embedded value profits generated over the year. Excluding the impacts of the restructure and IPO, EEV increased by 18%.

Economic capital is a key risk-based capital measure and expresses the Board's view of the available capital as a percentage of the required capital.

The growth in the economic capital coverage reflects the net proceeds received from the IPO and the overall level of profitability achieved in the year.

The KPIs we are reporting are those that were included in the Prospectus published at the time of our Initial Public Offering so that investors can see clearly, on a consistent basis, the progress made in our first period since listing.

During 2014/15, the Board will review the KPIs against our strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress.

Financial review

The results of the business

Our financial results demonstrate resilience in a tough, competitive environment, under changing market conditions. The successful IPO has strengthened our balance sheet and we are well placed to take advantage of future opportunities.

The financial review describes the Group's financial performance in terms of its business segment and highlights the key factors driving movements in the Group's Consolidated statement of comprehensive income and Consolidated statement of financial position.

The Group's insurance segment is responsible for the manufacture of insurance products for the retirement market – namely individually underwritten, DB and care annuities, fixed term annuity contracts, and the investment of premiums written in corporate bonds and LTM advances. The segment also includes the provision of financial advice and intermediary services, and the provision of software to financial advisers.

The Group's corporate activities are primarily involved in managing the Group's liquidity, capital and investment activities.

The table below aggregates the financial performance of the Group's insurance segment and corporate activities.

Insurance segment performance

The Group's insurance segment achieved an operating profit before tax of £78.0m (2012/13: £78.2m), and a profit before tax of £111.3m (2012/13: £119.7m).

New business operating profits were £53.1m, compared with £58.9m in the previous year. The fall of £5.8m was primarily a result of lower annuity volumes and a decrease in new business operating margin to 4.4% (2012/13: 4.7%). The decrease in new business margin arose from increased competition and its impact on point of sale margins on IUA business, but was partly offset by improved yield in our LTM business together with a greater volume of DB business.

Profits emerging from the in-force portfolio in the insurance segment in 2013/14 amounted to £42.9m (2012/13: £41.1m) and increased by £1.8m on the prior year. The benefit of a larger in-force book at the start of the year was offset by the impact of falling credit spreads compared to the previous year.

Underlying profit for the insurance segment decreased by £4.0m from £100.0m at 30 June 2013 to £96.0m at 30 June 2014 as a result of the factors described above.

	2013/14 £m	2012/13 £m	Change £m
Financial performance			
New business operating profit	53.1	58.9	(5.8)
In-force operating profit	43.6	41.1	2.5
Underlying operating profit	96.7	100.0	(3.3)
Operating experience and assumption changes	(2.8)	(11.8)	9.0
Reinsurance and bank finance costs	(13.4)	(9.2)	(4.2)
Operating profit before tax	80.5	79.0	1.5
Non-recurring and project expenditure	(7.0)	(6.5)	(0.5)
Restructuring costs	(5.4)	–	(5.4)
Investment and economic profits	44.1	48.9	(4.8)
Profit before corporate costs and before tax	112.2	121.4	(9.2)
Finance and other costs incurred by corporate companies	(17.1)	(40.0)	22.9
Listing costs	(2.3)	(3.1)	0.8
Profit before tax	92.8	78.3	14.5
Insurance segment performance			
New business operating profit	53.1	58.9	(5.8)
In-force operating profit	42.9	41.1	1.8
Underlying operating profit	96.0	100.0	(4.0)
Operating experience and assumption changes	2.5	(11.1)	13.6
Reinsurance and bank finance costs	(20.5)	(10.7)	(9.8)
Operating profit before tax	78.0	78.2	(0.2)
Non-recurring and project expenditure	(6.2)	(5.9)	(0.3)
Restructuring costs	(4.6)	–	(4.6)
Investment and economic profits	44.1	47.4	(3.3)
Profit before tax from insurance segment	111.3	119.7	(8.4)

Financial review continued

Total operating profit amounted to £78.0m for the year and decreased marginally by £0.2m compared with the prior year, and takes account of the underlying operating profit described above, as well as changes in operating experience and assumptions, and reinsurance and finance costs. Operating experience and assumption changes improved over the year – a positive experience change of £2.5m compared to £11.1m of charges in the prior year – as no adverse changes in relation to long-term annuity longevity assumptions were made during the year.

The impact from reinsurance and finance costs decreased operating profit by £20.5m at 30 June 2014, an increase of £9.8m from the £10.7m charged at 30 June 2013, primarily driven by increased Tier 2 financing from corporate companies, which amounted to £9.5m (2012/13: £3.0m).

Profit before tax for the insurance segment decreased by £8.4m from £119.7m at 30 June 2013 to £111.3m at 30 June 2014. In addition to the £0.2m decrease in operating profit described above, profit before tax includes the impact of non-recurring and project expenditure, investment and economic variances and restructuring costs.

Non-recurring and project expenditure amounted to £6.2m (2012/13: £5.9m) and relates to continued costs associated with the development of the internal model for Solvency II, the development of certain elements of the Group's infrastructure in relation to LTM, and the identification of potential initiatives internationally.

A one-off exercise in response to the Budget announcement in March 2014 resulted in a restructuring provision of £4.6m being incurred in the year. The charge primarily relates to decisions to reduce the cost base through a redundancy programme following the fall in annuity volumes, and the write-off of certain intangible software assets related to annuity distribution.

Economic and investment market conditions improved once more during the financial year including an increase in property values and a tightening of corporate bond credit spreads, which led to economic and investment variances amounting to £44.1m (2012/13: £47.4m).

Corporate activities

Results from corporate activities included operating profit before tax of £2.5m (2012/13: £0.8m), and incurred losses before tax amounting to £18.5m (2012/13: a loss of £41.4m). The main driver behind the decrease in losses before tax related to the fall in Group financing costs in relation to loan notes and preference shares outstanding which decreased from £32.5m at 30 June 2013 to £13.2m at 30 June 2014 following their repayment as part of the Group restructure prior to the IPO. Non-recurring expenditure of £0.8m (2012/13: £0.6m) relates to share-based payments. Restructuring costs include a write off of goodwill of £0.8m incurred as part of the restructuring provision in relation to the TOMAS™ acquisition. The amortisation of intangible assets amounted to £3.9m (2012/13: £6.2m).

Highlights from Consolidated statement of comprehensive income

The table opposite presents the Consolidated statement of comprehensive income for the Group, with key line item explanations.

Gross written premium

Gross written premium represents the total premiums received by the Group in relation to its IUA, DB and INA annuity contracts in the accounting period, gross of commission paid.

Gross written premium amounted to £1,200.5m for the year, a decrease on the comparative period of 5.1% primarily due to the impact of the Budget announcement in March 2014, which decreased total IUA sales for the year by 12.6% against the comparative period, partly offset by the Group achieving its first defined benefit solutions sales of £92.1m.

Net premium revenue

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

Net premium revenue increased by 36.7% due to the recapture of previously ceded reserves for the 2006/07 underwriting year, which increased net premium revenue by £263.1m (2012/13: £116.8m), lower reinsurance premiums ceded of £180.9m, offset by a fall in gross premium written of £64.6m. The reinsurance finance for the 2006/07 underwriting year has now been fully repaid and the Group exercised its option to recapture.

Corporate activities	2013/14 £m	2012/13 £m	Change £m
Operating profit before tax	2.5	0.8	1.7
Non-recurring expenditure	(0.8)	(0.6)	(0.2)
Restructuring costs	(0.8)	–	(0.8)
Investment and economic profits	–	1.5	(1.5)
Finance costs	(13.2)	(33.8)	20.6
Amortisation of intangibles	(3.9)	(6.2)	2.3
Listing costs	(2.3)	(3.1)	0.8
Loss before tax from corporate activities	(18.5)	(41.4)	22.9
Profit before tax from insurance segment	111.3	119.7	(8.4)
Group profit before tax	92.8	78.3	14.5

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 investment income increased by £207.4m, from £249.5m for the year ended 30 June 2013 to £456.9m for the year ended 30 June 2014.

Interest received on financial assets totalled £205.6m (2012/13: £175.1m) and increased in line with business growth. The value of financial assets increased by £267.9m (2012/13: £70.0m) in line with a tightening in average credit spreads on corporate bonds held during the comparative period, accompanied by a decrease in long-term interest rates.

Net paid claims

Net paid claims represent 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 paid claims increased by £57.5m from £149.1m at 30 June 2013 to £206.6m at 30 June 2014, an increase reflecting the growth of the in-force book combined with a lower reinsurers' share of paid claims for the comparative period due to past reinsurance recapture.

Change in net liabilities

Change in net liabilities represents the period-on-period change in the carrying value of the Group's insurance liabilities less the period-on-period change in the carrying value of the Group's reinsurance assets.

Change in net liabilities increased by £387.2m from £466.6m at 30 June 2013 to £853.8m at 30 June 2014. The gross change in liabilities increased by £993.3m (2012/13: £863.6m) and was impacted by lower new business sales and a lower increase in medium-term interest rates compared to the comparative period. The change in reinsurers' share of liabilities amounted to £139.5m (2012/13: £397.0m) and was reduced during 2013/14 by reinsurance recapture which amounted to £263.1m (2012/13: £115.4m).

Acquisition costs

Acquisition costs comprise the direct costs (such as commissions) and indirect costs of obtaining new business. Acquisition costs are not deferred.

Acquisition costs decreased by £8.4m from £39.5m at 30 June 2013 to £31.1m at 30 June 2014, primarily as a result of lower annuity sales, combined with the implementation of the RDR and the resulting switch to direct adviser charging for advised business.

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.

Other operating expenses increased by £12.6m from £114.2m at 30 June 2013 to £126.8m at 30 June 2014. The increase was largely due to increased operating expenses in line with total business growth and a provision of £5.4m (2012/13: £nil) for restructuring costs, which included the costs of a redundancy programme and the impairment of intangible assets.

Finance costs

Finance costs represent interest payable on the deposits received from reinsurers, interest on reinsurance financing and bank finance costs.

Finance costs increased by £0.3m from £128.3m at 30 June 2013 to £128.6m at 30 June 2014. The increase was primarily due to higher interest on reinsurance deposits payable in line with the increase in reinsurance deposits and reinsurance finance, but is almost entirely offset by the decrease in interest payable on loan notes and preference shares that were converted to ordinary share capital following the Group's reorganisation prior to the IPO.

Income statement highlights

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Gross premiums written	1,200.5	1,265.1
Net premium revenue	978.3	715.7
Net investment income	456.9	249.5
Total revenue	1,435.2	965.2
Other operating income	6.9	5.6
Net paid claims	(206.6)	(149.1)
Change in net liabilities	(853.8)	(466.6)
Change in investment contract liabilities	(2.4)	5.2
Acquisition costs	(31.1)	(39.5)
Other operating expenses	(126.8)	(114.2)
Finance costs	(128.6)	(128.3)
Total claims and expenses	(1,349.3)	(892.5)
Profit before tax	92.8	78.3
Income tax	(20.3)	(20.5)
Profit after tax	72.5	57.8

Financial review continued

Income tax

Income tax charges decreased by £0.2m from £20.5m at 30 June 2013 to £20.3m at 30 June 2014, with increased profits before tax of £14.5m offset by decreases to the headline rate of tax between the two periods and certain transition rules regarding life company taxation.

Highlights from Consolidated statement of financial position

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

Financial assets

The table opposite – financial assets ratings – provides a breakdown by credit rating of financial assets where applicable as at 30 June 2014 compared with the position at 30 June 2013. Financial assets increased by £1.5bn from £6.0bn at 30 June 2013 to £7.5bn at 30 June 2014 due to increased new business volumes and the proceeds from the IPO. The quality of the corporate bond portfolio remains high and there were no corporate bond defaults during the period (2012/13: £nil). The loan to value ratio of the mortgage portfolio reduced to 25% (2012/13: 26%).

Other balances

Reinsurance assets increased by £0.1bn from £3.5bn at 30 June 2013 to £3.6bn at 30 June 2014 as a result of business growth but offset by the impact of the reinsurance recapture which amounted to £0.3bn.

Insurance liabilities increased by £1.0bn from £5.5bn at 30 June 2013 to £6.5bn at 30 June 2014 due to liabilities arising on new business written less claims paid in the period.

Other liabilities remained at £3.7bn with an increase in deposits provided by reinsurers offset by the conversion of loan notes and preference share capital outstanding at 30 June 2013 into ordinary share capital as part of the Group's reorganisation prior to the IPO.

Insurance and other payables decreased by £124.1m from £159.6m at 30 June 2013 to £35.5m at 30 June 2014 largely as a result of the conversion of interest and dividends accrued on loan notes and preference share capital respectively into ordinary share capital as part of the Group's reorganisation.

Other liability balances increased by £66.7m from £256.8m at 30 June 2013 to £323.5m at 30 June 2014, largely as a result of new investments in fixed term annuity contracts which totalled £73.7m in the year.

Total equity increased by £702.7m from £150.1m at 30 June 2013 to £852.8m at 30 June 2014, largely due to the reorganisation of the Group, which included the conversion of £339.2m of loan notes and preference share capital to equity, and subsequent raising of £300m gross proceeds from the IPO.

Capital management

The Group is managed on an economic capital basis, with a target to maintain minimum cover of 140% of economic capital requirements under normal circumstances. The Group also monitors the regulatory Pillar 1 position of its life company, Just Retirement Limited.

The Group economic capital ratio has increased significantly to 178% from 124% at 30 June 2013. This is mainly as a result of the new capital received as part of the IPO, positive trading conditions in the year to 30 June 2014, together with economic changes, including the tightening of credit spreads, and increases in house prices.

The Pillar 1 capital ratio has increased significantly to 236% from 170% at 30 June 2013 mainly as a result of new capital injected into the life company, namely £50m of ordinary equity and £125m of Tier 2 capital.

European embedded value

Group EEV increased by £455.2m from £503.9m at 30 June 2013 to £959.1m at 30 June 2014, largely due to the reorganisation of the Group, proceeds received from the IPO, EV profit of £140.1m for the period and share-based payments of £4.3m.

Balance sheet highlights

	As at 30 June 2014 £m	As at 30 June 2013 £m
Assets		
Financial assets	7,490.0	6,044.7
Reinsurance assets	3,616.3	3,476.8
Other assets	242.7	240.7
Total assets	11,349.0	9,762.2
Share capital and share premium	51.3	21.6
Reorganisation reserve	347.4	63.6
Accumulated profit and other adjustments	454.1	64.9
Total equity	852.8	150.1
Liabilities		
Insurance liabilities	6,483.6	5,490.3
Other liabilities	3,653.6	3,705.4
Insurance and other payables	35.5	159.6
Other	323.5	256.8
Total liabilities	10,496.2	9,612.1
Total equity and liabilities	11,349.0	9,762.2

	As at 30 June 2014 £m	As at 30 June 2013 £m
Financial assets ratings		
AAA ¹	614.7	527.0
AA	612.9	466.4
A	1,943.3	1,765.3
BBB or below	1,569.7	1,204.8
Loans secured by mortgages	2,749.4	2,081.2
Total	7,490.0	6,044.7

¹ Includes investments in gilts, deposits held by financial institutions and units held in liquidity funds.

	As at 30 June 2014		As at 30 June 2013	
	Group economic capital £m	Pillar 1 (JRL) £m	Group economic capital £m	Pillar 1 (JRL) £m
Capital management				
Total available capital	1,004	676	578	411
Capital required	(564)	(287)	(467)	(241)
Excess available capital resources	440	389	111	170
Coverage ratio	178%	236%	124%	170%

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
European embedded value		
JRH Group EEV at start of period	503.9	365.0
Net debt of JRGHL at date of IPO	(315.1)	
JRGHL Group EEV at date of IPO	188.8	
IPO reorganisation:		
Conversion of loan notes and preference shares	339.2	–
Proceeds from IPO	300.0	–
Share issue costs taken to reserves	(13.0)	–
Total IPO reorganisation	626.2	–
Share-based payments	4.3	0.7
Total comprehensive income for the period	140.1	98.2
Capital injection	–	40.0
Acquisition of non-controlling interest	(0.3)	–
JRG Group EEV at end of period	959.1	503.9

Solvency II

Uncertainty surrounding the implementation date of Solvency II was removed in November 2013 and the new European prudential regulatory framework will come into force on 1 January 2016. The Group is continuing with its plans for the implementation of Solvency II, but is aware that some details remain uncertain. These preparations will remain a key focus for the Group during 2014/15.

Dividend policy

The Board intends to adopt a dividend policy having regard to future earnings of the Group and its ongoing capital requirements. Dividend payments will be made on an approximate one-third: two-thirds split for interim and final dividends, respectively.

Simon Thomas
Group Finance Director
17 September 2014

Principal risks and uncertainties

Through a strong risk culture, we have confidence in achieving our aspirations of competitive advantage from better business decisions.

Risk management

Purpose

The purpose of risk management is to make better informed business decisions that generate value for shareholders while delivering appropriate outcomes for our policyholders and providing confidence to other stakeholders. Our risk management processes are designed and implemented so that our knowledge and understanding of risk underpins every important decision that we make.

Risk framework

We identify and manage risk within a risk management framework which we evolve and improve in light of the changing risk environment and best practice. The framework, which is owned by the Board, describes all aspects of the Group's approach to risk management including the provisions for risk governance, the amount of each type of risk we are willing to take ("risk appetite"), our policies for management of various risk categories and risk reporting. This risk management framework is embedded within the business in order to create a culture of confident risk taking.

Top-down evaluation

We identify risks by evaluating the environment within which we have chosen to operate. This top-down analysis of the risks is supplemented with the use of scenario analysis and simulations. We consider these risks against our risk appetite and decide whether to accept the risks, manage the risks within our risk appetite or change our plans in order to avoid the risks.

Bottom-up reporting

Management provide quarterly risk reports to the risk team to provide assurances that risks within the business are comprehensively identified and that mitigation plans are in place and progressing. The risk team, led by the Chief Risk Officer ("CRO"), challenges management in its effectiveness of the application of the risk framework and the design and operation of mitigation activities. The CRO reports independently to the Group Risk and Compliance Committee ("GRCC"), alerting the Committee to principal risks, risk themes across the business and to progress on mitigating actions.

Bottom-up reporting is supplemented with financial risk modelling, which is used to monitor how much of each risk type we have chosen to accept against our risk appetite. Financial risk modelling is aligned to our economic and regulatory capital requirements to allow management and the Board to understand how capital is being consumed by our principal risks. By applying stress and scenario testing to financial risk modelling we gain additional insight into the way that risk might impact the Group in different circumstances, and to inform mitigating actions.

Future developments

The requirement under Solvency II to develop Own Risk and Solvency Assessment ("ORSA") has been a catalyst for us to integrate risk reporting and further align our risk management processes with our business processes. We have an ambition to integrate all risk reporting to the Board within the ORSA processes. We have already produced three ORSA documents for management, each ahead of the strategic review to inform strategic decision taking. In 2014 we also produced an interim ORSA after the business planning process in July which showed the effect of the business plan on the projected capital and risk profile of the business. In the run-up to the implementation of Solvency II in 2016 we will subsume all of our regular risk reporting into ORSA updates in order to provide the Board with four documents a year that will keep it apprised of all of the relevant risk information that it needs to support the exercise of its duties, fulfil all of the current regular risk reporting and satisfy its regulatory requirements.

Principal risks and uncertainties

Risks to our business

As an insurance group, understanding and taking risk is what Just Retirement does. The risks to which the Group is currently devoting much of its attention have changed since our last report, due to the announcements in the 2014 Budget. New uncertainties are now apparent that may have a considerable influence on our future aspirations:

- Uncertainty about the final form of pension reform legislation;
- The scope of the Government's Guaranteed Guidance and the take-up rates by those invited to use the service; and
- The possible changes in behaviour of customers, competitors and intermediaries as a result.

The Group had previously considered the risks around pension reform and had adopted what was thought at the time to be appropriate mitigating activity, through engagement with government officials, policy makers, consumer groups and industry bodies. The assumption underpinning this mitigation approach was that major changes to pension legislation would have cross-party consensus, be evidence based and subject to a significant period of consultation.

In addition to these political, regulatory and social uncertainties, we continue to be exposed to many other current and emerging risks that are inherent in the provision of the Group's retirement solutions. The most significant of these are described below.

Risk description & impact	Mitigation & management action
Risks from our chosen market and competitive environment	Risk outlook – Increasing risk
Just Retirement operates in a highly regulated market, which means that changes in relevant legislation and regulation may have a considerable effect on our strategy and day-to-day operations, reducing our sales, profitability or requiring us to hold more capital. The changes announced in the 2014 Budget have had a fundamental impact on the expected shape and future of the annuity and retirement income markets. Uncertainties arise from: • The final form of pension reform legislation; • How Guaranteed Guidance is implemented; • The impact of Guaranteed Guidance in motivating people to shop around the external market; • The take-up of Guaranteed Guidance, how it is received and acted on by customers; • How financial intermediaries and other distributors respond to the pension reforms and developing propositions of manufacturers; and • How the Group's competitors respond to the pension reforms and their developing propositions. The Group's strategy and business plans are highly sensitive to changes in the assumptions we make about these market factors and uncertainties.	The Group's approach to legislative and regulatory change has been focused on active participation and engagement with policy makers and regulatory bodies in the UK and Europe, and this will not change. Following the 2014 Budget, the annuity market has been fundamentally altered. In response to the crystallisation of this risk, the Group has responded through the acceleration of its strategy revision and innovation pipeline. The focus for the next financial year will be to adapt our market offering to respond to the final shape of the new pension legislation, the form of the Government's Guaranteed Guidance and how customers, competitors and intermediaries might react. These changes may place our strategy and business plans at risk should our assumptions and developments not flex and adjust to market dynamics. The Group believes it is well placed to adjust and adapt to the changes in the retirement income market, supported by the brand promise, our innovation credentials, financial strength and commitment to operating responsibly. The selection of strategy and the development of business plans are chosen after careful appraisal of the inherent risks in the plan, the capabilities required and the evaluation of the variability in expected returns for taking these risks. The most influential factors on the successful delivery of the Group's plans are closely monitored through key risk and performance indicators to help inform where preventative or remedial actions are needed. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.

Principal risks and uncertainties

continued

Risk description & impact	Mitigation & management action
Risks from legislative and regulatory changes	Risk outlook – Increasing risk
Over the last few years, the financial services industry has witnessed an increase in regulatory activity, regulatory change and more intense regulatory supervision. A move towards judgement-based regulation has also been witnessed, resulting in more proactive and punitive enforcement activity. This approach undoubtedly increases the regulatory risk to which the Group is exposed. The FCA Risk Outlook, published in March 2014, identified numerous areas of focus across the financial services industry including, <i>inter alia</i>, a market study of retirement income, sales practices for customers at retirement, interest-only mortgage maturities, sales incentive arrangements, complaints handling, governance and risk management processes. The FCA market review of annuities will also continue throughout the year, with interim findings due to be published at the end of 2014. Uncertainty surrounding the implementation date of Solvency II was removed in November 2013 and the new European prudential regulatory framework will come into force on 1 January 2016. Whilst the high-level requirements of Solvency II are understood, some of the lower-level detail is yet to be finalised. The application for approval to calculate capital using an internal model will begin formally in April 2015 and a successful outcome is not guaranteed. It is possible that the final rules, or the outcome of the approval for internal model may give rise to greater required capital. Furthermore, implementation of Solvency II may require changes to the structure and/or business of the Group.	The regulatory agenda for the forthcoming year is again full and covers many areas directly relevant to the Group. Internally we continue to monitor these developments, assess their potential impacts and engage fully with all relevant regulatory bodies, in line with the regulatory strategy, to adjust to, and implement regulatory change efficiently and effectively, with the overall aim of delivering a better outcome for our customers and competitive advantage for the business. It is recognised that adapting to these legislative and regulatory changes will involve a high degree of strategy execution risk associated with the scale and pace of change. While detailed aspects of the framework still need to be finalised, good progress has been made with Solvency II developments and the Group is well placed in its application to use its internal model to calculate its solvency capital requirement and transition to the Solvency II regulatory regime. A number of uncertainties still remain, mitigated through contingencies within the plans to enable adaptation and adjustments to be made, as the final rules become clearer.

Risk description & impact	Mitigation & management action
Risks from our pricing assumptions	Risk outlook – No change
The writing of long-term insurance contracts requires a range of assumptions to be made, including customers' longevity, interest rates, expenses etc. The Group is exposed to the risk that its views on these risk factors may be materially inaccurate which may require them to be recalibrated, which in turn may affect profitability and the Group's solvency position.	To manage this risk, the Group has developed its own proprietary underwriting system, Prognosys™, which provides insights and enhanced understanding of the longevity risks that the Group chooses to take. The actual longevity experience, against what was expected, is monitored to identify any areas where expectations are materially different, and this analysis is an input into the regular review of the reserving basis for liabilities. No changes have been made to IUA longevity assumptions and reserves during the year. The more sophisticated IUA experience analysis system has been used to analyse LTM longevity. This resulted in a modest strengthening of LTM mortality assumptions. Some longevity risk exposure is shared with the Group's reinsurance partners, and in taking a share of this risk, the reinsurers examine the Group's approach to risk selection, reserving and monitoring activities. Having reinsurance arrangements mean that the Group is exposed to counterparty risk, should the reinsurer fail to meet its claim repayment obligations. This risk is reduced by the reinsurer depositing the reinsurance premiums back to the Group. The assumptions made about future investment returns, credit risks and administration expenses are based on market data and historical experience, are calculated using standard actuarial principles and methods, and are subjected to validation and testing before being considered and approved by our external actuarial function holder and the Board. The monitoring of actual experience against assumptions has not identified any material variances and no adjustments to reserves have been required.

Principal risks and uncertainties

continued

Risk description & impact	Mitigation & management action
Risks from the economic environment	Risk outlook – No change
The economic environment and financial market conditions have a significant influence on the level of income, the value of assets and the value of liabilities. Volatility of financial market conditions was noted as a key risk in 2013, and whilst the overall economic outlook has improved, with the UK economy strengthening, the low interest rate environment persists. Market expectations are for a gradual increase in rates over the next few years. The Group believes there to be limited resilience within global economies to sudden changes in monetary policies and unrest in peripheral and Eastern European countries may unsettle the Eurozone. The Eurozone economy stuttered in June 2014 as the pace of expansion across the private sector slowed, affecting investor confidence. The Eurozone economic recovery is fragile and any reversal may have consequences for the UK economy. The premiums paid by the Group's customers are invested to enable future payments to be made. The returns received on these investments are uncertain as a result of credit risk (default and spread risk) and market risks (fluctuations in interest rates, asset values, property prices, foreign exchange). A fall in residential property values could reduce the amounts received from lifetime mortgage redemptions and may affect the relative attractiveness of the LTM product as a means of accessing retirement income and significant increases in property values may result in increasing numbers of early mortgage redemptions.	Economic conditions are actively monitored and alternative scenarios modelled to help better understand the potential impacts of significant economic changes and to management action plans. One of the principles of the Group's investment strategy is that the investment portfolio comprises high quality, low risk assets. Credit risk on the portfolio is managed through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment grade assets and adhering to individual counterparty limits. To mitigate the impact of the low interest rate environment, in addition to the active management of the asset and liability matching position, actions have been taken to improve returns through diversifying the investment strategy by the types of assets into which the Group invests, their geographies and industry sectors. This diversification has brought with it exposure to foreign exchange risk. As this exposure is not desired, derivative contracts are entered into to eliminate the foreign exchange exposure as far as possible. Interest rate swap and swaptions are also used to reduce exposures to interest rate volatility. This then brings credit exposure to various counterparties through which we transact these instruments, although this is mitigated by collateral arrangements. The Group's exposure to inflation risk increases in line with increases in volumes of defined benefit business. Most defined benefit schemes link member benefits to either inflation indexation and/or limited price indexation. As the Group's exposure increases, its use of inflation hedging mechanisms will also increase. In relation to property risk, the Group underwrites the properties against which it is prepared to lend, obtaining a valuation from a qualified third party. This provides initial comfort concerning the quality of the property book. The terms of the LTM business limit the initial loan to value ("LTV") available under its mortgage advance, substantially limiting exposure to property risk. The combination of product design features, underwriting and monitoring of exposure to adverse house price movements control the Group's property risk.
Market risks may also affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions, maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives, etc.	Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. There is little short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Cash flow forecasts are regularly prepared to predict and monitor liquidity levels over both the short, medium and long terms and stress tests are performed to help us understand where potential pinch points may arise. Following the listing of the Group in November 2013, liquidity has been strengthened. A high level of cash and liquid assets is maintained so should business cash inflows dramatically reduce, the Group remains able to meet its liabilities as they fall due. The Group's liquidity requirements have been comfortably met over the year and stress testing and forecasting confirms the continuation of this position for both investment and business operations, given the current financial and commercial market environments.

Risk description & impact	Mitigation & management action
Risks to our "Just" name	Risk outlook – No change
The Group's vision is to be the leading retirement brand known and trusted for enriching our customers' lives. Damage to our brand and/or reputation may adversely affect our underlying profitability, through reducing sales volumes, limitation of distribution channels and increasing capital requirements. The brand image and our reputation could be threatened by external risks such as: - Regulatory interpretation or enforcement action, either directly or as a result of contagion from association with other financial services organisations; and - Cyber-crime targeting. Large organisations are increasingly becoming targets for cyber-crime, particularly if those organisations retain personal information about many people, and migrate some of their operations onto digital platforms. Just Retirement is no exception and a cyber-event could result in financial losses, but more importantly, distress for our customers.	The Group has no appetite for brand and reputational damage and actively protects its brand and seeks to differentiate its business from competitors by investing in the Just Retirement brand. Risk to the brand and Just Retirement's reputation is mitigated by actively engaging with government officials and policy makers in order to ensure the retirement needs of customers are understood and policies created that enable customers to be served appropriately. There may be limited opportunity to influence regulatory change, so we base our strategy and plans on prevailing regulation and planned regulatory developments and have contingencies should regulatory developments be different to our expectations. Due diligence is performed on all partners to ensure that they work to the same high security standards that the Group employs and we remain vigilant to the range of cyber-risks but also recognise the speed of cyber-threats, meaning that risk exposure remains.

Given the potential impact of these risks, we apply our risk management process to help us identify, understand, manage and control these risks, to a level that we are comfortable with, and then we monitor exposure continuously.

Our risk framework

Corporate responsibility

The Just Retirement approach to CSR is based on managing the responsibilities we have to key stakeholder groups – customers, employees, suppliers and communities. Through our CSR programmes, we aim to enhance employee well-being, safeguard the environment, and support the communities where we live and work.

Charity and community

Each year, one local and one national charity are chosen to receive corporate matching funds.

In 2013/14, our two corporate charities were St Catherine's Hospice in Crawley, and Alzheimer's Research UK. We also provided support for employee fundraising events for Sport Relief, Children in Need and Red Nose Day. In total we contributed £38,328 through our corporate matching programme.

We also facilitate a mentoring scheme, connecting employees with students at a local high school to provide support through their GCSE years. Employees devote 30 to 45 minutes every two to four weeks through the school year to mentoring a student.

Employee well-being

Our employees' health, well-being and work-life balance are high priorities for us. Our benefits include an employee assistance program as well as access to the government-backed Cycle2Work scheme, childcare vouchers and gym membership. We offer quarterly "Well-Being Weeks" where employees can learn about nutrition, exercise and other health topics and our Sports and Social Committee organises events such as bowls and cricket tournaments and quarterly socials.

Environment

We are committed to reducing our environmental impact, and we seek to reduce our footprint wherever we can by ensuring all workstations are "binless" and providing recycling facilities on all floors.

Carbon reporting

This report details Just Retirement's greenhouse gas ("GHG") emissions for the 12 months ended 30 June 2014. Using an operational control approach, we have identified all facilities and activities for which Just Retirement has operational control and responsibility. Using the ISO 14064-1:2006 standard we have identified relevant activity data for Scope 1, 2 and 3 emissions with support from independent consultant, Carbon Clear. Data from all emission sources has been collected and the validity and completeness of the data set checked by Carbon Clear. Calculation of total greenhouse gas emissions were performed following ISO 14064-1:2006 standards and using DEFRA 2013 emission factors. In accordance with mandatory greenhouse gas reporting we have set this reporting year as our base year, as this is the first year for which we have collected reliable data within our operations. We have chosen to report an intensity ratio of gross Scope 1 and 2 emissions in tonnes of CO₂e per revenue, to be used for future comparison of our emissions performance.

The results for Scope 1, 2 and 3 emissions are presented below. The Scope 3 data is being used internally to drive emission and cost reductions. We have also reported our intensity metric for the reporting period 1 July 2013 to 30 June 2014.

The results show that total gross GHG emissions in the period were **3,999 tonnes of CO₂e**, comprised of the following:

- Direct emissions (Scope 1) amounted to **113 tonnes of CO₂e** or 3% of Just Retirement's total greenhouse gas emissions;
- Indirect emissions (Scope 2) amounted to **623 tonnes of CO₂e** or 16% of Just Retirement's total greenhouse gas emissions; and
- Indirect emissions (Scope 3) amounted to **3,263 tonnes of CO₂e** or 81% of total greenhouse gas emissions.

Emission data

Type of emissions	Activity	Units	tCO ₂ e	% of total
Direct (Scope 1)	Gas (kWh)	613,845	113	2.8%
Indirect energy (Scope 2)	Electricity (kWh)	1,396,827	623	15.6%
Indirect other (Scope 3)	Staff commuting (km)	8,840,588	1,498	37.4%
	Business travel (£)	466,144	650	16.3%
	Waste (kg)	27,775	587	14.7%
	Waste (m ³)	5,565	6	0.1%
	Well To Tank (WTT)	n/a	483	12.1%
	Paper (reams)	11,904	39	1.0%
			3,263	81.6%
Total gross emissions (tCO₂e)			3,999	

Intensity ratio

Intensity metric	2013/14
Total gross GHG emissions (tCO ₂ e)	3,999
Turnover (£m)	1,200.5
Total gross GHG emissions per £m turnover	3.33

Employee communications

Just Retirement's leadership team is committed to effective communications and enabling our people to connect, learn and share their knowledge in support of the Group's strategy and brand.

Our award-winning in-house communications team creates a range of content and activities that inform and engage employees, their social networks, prospective employees and the wider community.

In November 2013, ahead of our flotation, all employees were invited to participate in a three-hour immersive event called "JR Live". This was designed to broaden employees' appreciation of our customers and markets, strengthen collaborative working and give everyone an opportunity to hear senior managers and executives talk about the Group's priorities. The team received an Institute of Internal Communication 2014 Award of Excellence for "JR Live".

Culture

In April 2012 we invited employees to help us identify and establish Just Retirement's ideal corporate culture. Working with a global company specialising in workplace culture, the results provided us with a picture of our current culture and the ideal culture we needed to work towards, based on employees' perceptions.

More than two years on since the research and we're continuing to embed our ideal culture in our behaviours, practices and procedures. This work spans several workstreams, each involving employees from across the Company and overseen by a steering group of senior managers.

By dedicating resources and continuing to involve employees in the process of establishing our ideal culture, we will continue to differentiate Just Retirement as a company to work for, do business with or trust to enrich customers in or approaching retirement.

The Board confirms in the Directors' responsibility statement on page 43 that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Group. This Strategic Report has been approved by the Board and signed by order of the Board:



Martin Smith
Group Company Secretary
17 September 2014

Supporting advice

The vast proportion of our business comes to us via recommendation from financial intermediaries. We believe that specialist advice is crucial in helping customers to plan their retirement finances effectively. Our commitment to supporting advice has led to a host of accolades from financial advisers since our launch in 2004.

Board of Directors

Tom Cross Brown, Independent Non-executive Chairman (66)

Tom Cross Brown has been Chairman of Just Retirement Group plc since August 2013 and was a Non-executive Director of Just Retirement (Holdings) Limited from October 2006, and became Chairman on its admission to AIM in December 2006, until March 2014. Until 2003, he was Chief Executive Officer of ABN AMRO Asset Management. Prior to joining ABN AMRO Asset Management in 1997, he spent 21 years at Lazard Brothers & Co., latterly as Chief Executive Officer of Lazard Brothers Asset Management from 1994 to 1997. He is currently a Non-executive Director of Phoenix Group Holdings, Artemis Alpha Trust Plc and a Non-executive member of the Management Committee of Artemis Investment Management LLP. Tom is Chairman of the Nominations and Market Disclosure Committees and a member of the Risk and Compliance and Remuneration Committees. He is also Chairman of Just Retirement Limited, as well as a member of its Investment Committee, and a Non-executive Director of Just Retirement Solutions Limited.

Rodney Cook, Chief Executive Officer (57)

Rodney Cook was appointed Chief Executive Officer in August 2013 having been appointed as the Chief Executive Officer of Just Retirement (Holdings) Limited in July 2010. Previously, he was Managing Director, Life and Pensions of Liverpool Victoria (LV=). Rodney, a qualified actuary and an FCA and PRA Approved Person, has 36 years' experience in financial services, having led businesses in both the United Kingdom and Australasia. He commenced his career with AMP, which culminated in his appointment as Managing Director of Pearl in 1999. This was followed by time at Zurich Financial Services as Managing Director of Sterling Assurance, Eagle Star Life and as Zurich Financial Services Customer Solutions Director, before joining Prudential as Prulab Director. Rodney is a member of the Market Disclosure Committee, a Director of Just Retirement Limited and Just Retirement Solutions Limited and Chairman of TOMAS Acquisitions Limited.

Simon Thomas, Group Finance Director (50)

Simon Thomas was appointed Group Finance Director in August 2013 having been appointed as Group Finance Director of Just Retirement (Holdings) Limited in July 2006. Previously, he was Finance and Customer Services Director at Canada Life Limited, the UK subsidiary of Great West Life. Prior to this, Simon was Head of Finance at HECM Limited (formerly Equitable Life) and spent 10 years at Nationwide Building Society, latterly as Group Financial Controller. Simon has over 13 years' experience in the UK life assurance industry, is a Chartered Accountant and an FCA and PRA Approved Person. Simon is a member of the Market Disclosure Committee and a Director of Just Retirement Limited, Just Retirement Solutions Limited and TOMAS Acquisitions Limited.

Shayne Deighton, Group Chief Actuary (55)

Shayne Deighton was appointed Group Chief Actuary in August 2013 having been appointed as Group Chief Actuary of Just Retirement (Holdings) Limited in October 2008. He also acted as Chief Risk Officer until October 2012. He has previously been Group Financial Management Director at Aviva plc and UK Life Finance Director for Zurich Financial Services. He has also been a Partner at Ernst & Young and Principal at Tillinghast, the consulting actuaries. Shayne has over 33 years' experience in the insurance industry and is a Fellow of the Institute and Faculty of Actuaries and an FCA and PRA Approved Person. Shayne is a Director of Just Retirement Limited and Just Retirement Solutions Limited.

**Les Owen,
Independent Non-
executive Director (65)**

Les Owen was appointed as a Non-executive Director in August 2013 and was a Non-executive Director of Just Retirement (Holdings) Limited from May 2010 until March 2014. He is currently Non-executive Chairman of The Jelf Group and a Non-executive Director of Royal Mail Group, Computershare, Discovery Holdings and CPP Group plc. Les is a qualified actuary and has over 40 years' experience in financial services. He was Group Chief Executive Officer of AXA Asia Pacific Holdings from 2000 to 2006 and prior to that he was Chief Executive Officer of Sun Life and AXA Sun Life. Les is Chairman of the Audit Committee and a member of the Risk and Compliance and Remuneration Committees, and a Non-executive Director of Just Retirement Limited and Just Retirement Solutions Limited.

**James Fraser,
Non-executive
Director (49)**

James Fraser was appointed as a Non-executive Director in August 2013 and was a Non-executive Director of Just Retirement (Holdings) Limited from 2009 until March 2014. He is a Partner and the Head of the Financial Services Sector at Permira. Prior to joining Permira in 2008, James was Co-Head of the Global Financial Services practice at L.E.K. Consulting where he spent 21 years, 11 of which as a Partner. He is currently a Non-executive Director of Tilney Bestinvest Group. James is a member of the Nominations Committee and a Non-executive Director of Just Retirement Limited and Just Retirement Solutions Limited.

**Keith Nicholson,
Senior Independent
Director (64)**

Keith Nicholson was appointed as a Non-executive Director in October 2013. He is currently Chairman of Liberty Speciality Markets (including the businesses of Liberty Managing Agency Limited and Liberty Mutual Insurance Europe Limited) and Deputy Chairman of The Equitable Life Assurance Society. He was Deputy Chairman of Wesleyan Assurance Society until he resigned from its Board on 17 September 2014. He was a partner at KPMG where he led their UK insurance practice until he retired from the firm in March 2009. Keith is Senior Independent Director, Chairman of the Risk and Compliance Committee and a member of the Audit, Remuneration, Nominations and Market Disclosure Committees, as well as a Non-executive Director of Just Retirement Limited and a member of its Investment Committee, and a Non-executive Director of Just Retirement Solutions Limited.

**Kate Avery,
Independent Non-
executive Director (54)**

Kate Avery was appointed as a Non-executive Director in October 2013. She is currently a Non-executive Director of Newcastle Building Society and Visiting Alumni at Cranfield having previously been Non-executive Chairman of Openwork until December 2013. She spent the first 18 years of her career at Barclays, before assisting Halifax in their demutualisation and building their stockbroking business prior to joining Legal & General in 1996. She served on the Board of Directors of Legal & General, where she was responsible for the retail distribution division and subsequently the wealth management division. Kate is Chairman of the Remuneration Committee and a member of the Audit and Risk and Compliance Committees. She is also Chairman of Just Retirement Solutions Limited and a Non-executive Director of Just Retirement Limited.

**Michael Deakin,
Independent Non-
executive Director (61)**

Michael Deakin was appointed as a Non-executive Director in April 2014. He is a qualified actuary and has over 25 years' investment management experience. Michael joined Clerical Medical in 1974 where he was appointed Director of Investments in 1995 and in 2001 Chief Investment Officer of Clerical Medical Investments, later Insight Investments. Since retiring from Insight in September 2003, he has previously served as a Non-executive member of the Board of the Pension Protection Fund and Chairman of its Investment Committee from 2004 to 2010 and as a Board member of the London Pension Fund Authority from 2006 to 2012 (Deputy Chairman from 2009). Michael is a member of the Audit Committee and Risk and Compliance Committee, a Non-executive Director of Just Retirement Limited and Chairman of its Investment Committee, and a Non-executive Director of Just Retirement Solutions Limited.

Directors' report

The Directors present their Annual Report and the audited financial statements for Just Retirement Group plc ("Just Retirement Group") for the year ended 30 June 2014.

Just Retirement Group announced on 15 November 2013 the admission of its ordinary share capital to the premium listing segment of the Official List of the UK Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities ("Admission").

The Strategic Report on pages 4 to 35 contains a description of the Group's business model and information relating to the performance of the Group's business during the financial year, the position of the Group at the end of the year, and likely future developments.

Results and dividend

The Group's results for the year are set out in the Group Consolidated statement of comprehensive income on page 73.

No interim dividends were declared and paid during the year. The Directors recommend a final dividend for the year of 2.2 pence per ordinary share to be paid on 8 December 2014 to ordinary shareholders on the register at the close of business on 14 November 2014 (2013: pence nil per share).

There were no material events between 1 July 2014 and the date of this report, as disclosed in note 39 to the financial statements.

Directors

The present Directors of the Company are shown on pages 38 and 39.

Directors on the Board during the year and up to the date of this report are as follows:

	Date of appointment	Date of resignation
Tom Cross Brown*	1 August 2013	
Rodney Cook*	1 August 2013	
Simon Thomas*	1 August 2013	
Shayne Deighton*	1 August 2013	
Les Owen*	1 August 2013	
James Fraser*	1 August 2013	
Keith Nicholson	9 October 2013	
Kate Avery	9 October 2013	
Michael Deakin	30 April 2014	
Paul Armstrong	13 June 2013	1 August 2013
Cedric Pedoni	13 June 2013	1 August 2013

* Directors indicated by an asterisk were Directors of other Group holding companies prior to 1 August 2013. Further details can be found in the financial statements of Just Retirement Group Holdings Limited and Just Retirement (Holdings) Limited.

All the present Directors of the Company will be subject to re-election by shareholders at the Annual General Meeting on 25 November 2014, apart from Les Owen who intends to retire from the Board at the conclusion of the meeting.

Compliance with the UK Corporate Governance Code

The statements describing how the Company has applied the main principles of the UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the "Code") are set out in the Company's Corporate Governance Report 2014 on pages 44 to 53 which forms part of this Directors' Report and is incorporated by reference.

Before admission to the London Stock Exchange on 15 November 2013, the Company was a shell vehicle and did not have many of today's governance processes and procedures. The Board considers that it has complied with the provisions of the Code since Admission until the date of the Directors' Report, except with respect to the composition of the Board prior to 30 April 2014. The Code recommends that at least half the Board, excluding the Chairman, should comprise Non-executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, their judgement. On Admission, the Board considered that half of its members, including the Chairman, comprised of Non-executive Directors independent in the manner required by the Code but recognised that it would not comply with the Code guidance on Board effectiveness with respect to its composition. However, the Board did not consider such non-compliance to be detrimental to the interests of the Company or the shareholders as a whole on the basis of: (i) the existing Directors' experience, judgement and character; and (ii) its intention to appoint an additional independent Non-executive Director within 12 months of Admission. On 30 April 2014 the Board appointed a fourth independent Non-executive Director (Michael Deakin) and so complied with the Code provision for a balanced Board.

Directors' insurance and indemnities

The Directors and officers of the Company (excluding KPMG Audit Plc) benefit from an indemnity provision in the Company's Articles of Association against any liability they may incur in relation to the Company's affairs, subject to the provisions of the Companies Act 2006 as amended. Each Director of the Company benefits from a deed of indemnity in respect of the costs of defending claims against him or her and third-party liabilities (the terms of which are in accordance with the Companies Act 2006 as amended). Such qualifying third-party indemnity provision remains in force at the date of this report. Directors' and officers' liability insurance cover was maintained throughout the year at the Company's expense and remains in force at the date of this report.

Directors' interests

Directors' interests in the ordinary shares of the Company are shown on page 64 of the Remuneration Report.

Pursuant to the Underwriting Agreement at the time of the Company's Admission to listing on 15 November 2013, the Directors agreed that, subject to certain exceptions, during the following period of 365 days they would not, without the prior written consent of the Joint Global Co-ordinators (acting on behalf of themselves and the other Underwriters), sell or otherwise dispose of, directly or indirectly, any interest in ordinary shares of the Company.

James Fraser is a partner at Permira Advisers LLP which advises certain funds that wholly own Avallux S.à.r.l, the Company's principal shareholder controlling 62.3% of the voting rights in the Company. Save as disclosed for James Fraser, there are no potential conflicts of interest between any duties owed by the Directors to the Company and their private interests or other duties. No other Director had any material interest in any significant contract with the Company or with any Group undertaking during the year.

Share capital

Details of the Company's issued share capital are given in note 21 on page 99.

At 17 September 2014 the Company had been notified of the following shareholdings of 3% or more of the Company's share capital:

Shareholder	Ordinary share holdings at 30 June 2014	% of capital	Ordinary share holdings at 17 September 2014	% of capital
Avallux S.à.r.l.	311,873,992	62.3	311,873,992	62.3

As indicated in the Company's IPO Prospectus published on 12 November 2013, the Company subsequently purchased, on 4 June 2014, all of its 49,998 issued and unlisted cumulative preference shares held by Avallux S.à.r.l ("Avallux") at the nominal value of £1 per share, being a total consideration of £49,998, and all such shares were cancelled on 24 June 2014.

As at 30 June 2014, the Company held a valid authority from shareholders to make market purchases of up to an aggregate of 50,000,000 ordinary shares, representing 10% of the Company's issued ordinary share capital as of 15 November 2013. The Company did not repurchase any ordinary shares during the year. As at 30 June 2014, the Company also held valid authorities from shareholders to:

- (i) allot ordinary shares up to an aggregate nominal value of £16,666,667 representing approximately one-third of the issued ordinary share capital as of 15 November 2013;
- (ii) allot ordinary shares up to an aggregate nominal value of £33,333,333 representing approximately two-thirds of the issued ordinary share capital as of 15 November 2013; and
- (iii) allot ordinary shares for cash up to an aggregate nominal value of £2,500,000 representing approximately 5% of the issued ordinary share capital as of 15 November 2013.

These authorities will expire at the end of the AGM to be held on 25 November 2014 and resolutions to renew them will be put to shareholders at that meeting.

The holders of ordinary shares are entitled to receive the Company's Report and Accounts, to attend and speak at Company general meetings including the AGM, to appoint proxies and to exercise voting rights.

Employee share schemes

During the year shares with a nominal value of £83,107 were allotted pursuant to the Company's employee share schemes. Details of these share schemes are described in note 10 to the financial statements.

Change of control

As indicated in the Company's IPO Prospectus published on 12 November 2013, the Company is subject to change of control provisions in the following significant agreements:

The Relationship Agreement with Avallux (the Company's principal shareholder holding 62.3% of the issued ordinary share capital) dated 12 November 2013 will continue for so long as the Company is premium listed on the London Stock Exchange's main market and Avallux is entitled to control the exercise of 15% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. Under the Relationship Agreement, Avallux is entitled to appoint one Non-executive Director to the Board of the Company.

The following reinsurance treaties may be immediately terminated by the third party if there is any material change in the ownership, management or control of Just Retirement Limited, its parent or ultimate parent (in the case of the Achmea Re treaty, if there is any material change in the ownership, management or control of Just Retirement Limited). If such termination occurs, the treaty is terminated in respect of new business and the reinsurer may exercise an option either to continue the treaty in respect of business already written or to require recapture of that business, which has the effect of withdrawing the reinsurance in respect of past business (subject to any repayment by Just Retirement Limited not causing it to breach its PRA minimum capital requirements):

- The Hannover Re treaty between Just Retirement Limited and Hannover Re (dated 20 September 2012 and as amended on 16 October 2013) in relation to Just Retirement Limited's annuity policies written from 1 July 2004 to 31 December 2014 and underwritten using the JR Merica underwriting system;
- The RGA Lead treaty between Just Retirement Limited, RGA International (acting as lead reinsurer) and RGA Americas (acting as following reinsurer) and the RGA Following treaty between the same parties (both treaties dated 19 June 2013 and as amended on 26 September 2013) in relation to Just Retirement Limited's annuity policies written from 1 July 2012 to 30 June 2015 and underwritten using the JR Merica underwriting system; and
- The Achmea Re treaty between Just Retirement Limited and Achmea Re (dated 1 December 2005 and as subsequently amended, most recently on 30 March 2013) in relation to Just Retirement Limited's annuity policies written from 1 July 2004 to 30 June 2012.

The RBS Term Loan Facility of £55m between Just Retirement (Holdings) Limited as the borrower, Just Retirement Group Holdings Limited as the guarantor, the Royal Bank of Scotland plc as the original lender and Deutsche Bank AG and Nomura International plc both as additional lenders (dated 25 September 2012 and as subsequently amended on 9 May 2013) contains provisions for mandatory prepayment on the occurrence of a change of control of the guarantor.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Financial instruments

Derivatives are used to manage the Group's capital position which is affected by a surplus of long-dated fixed interest assets when liabilities are measured on a realistic basis. Details of these derivatives are contained in note 26 to the financial statements. Disclosure with respect to financial risk is included on pages 29 to 33 of the Strategic Report and in note 34 to the financial statements.

Political contributions

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2013: £nil).

Greenhouse gas emissions

Information about the Group's greenhouse gas emissions is given on page 34.

Directors' report continued

Going concern statement

After making enquiries, the Directors are satisfied that the Company and the Group have adequate resources to continue in business and to meet their obligations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements. In making this assessment the Directors have considered the key assumptions underlying the assumption of going concern, reviews of sensitivity analyses and possible management actions, the Group's latest business plan and consequences for projections of cash flow, liquidity and regulatory solvency, together with reviews of any expected changes associated with banking and other financing and reinsurance relationships.

Disclosure of information to the auditor

Each of the persons who is a Director of the Company at the date of approval of this Directors' Report has confirmed that, so far as the Director is aware, there is no relevant audit information of which the Company's 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 audit information and to establish that the Company's 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.

Auditors

The Company's auditor has indicated its willingness to continue in office. It has proposed that a parent entity, KPMG LLP, be the auditor for the year ending 30 June 2015. The Board has agreed, based on the recommendation of the Audit Committee, that a resolution will be put to shareholders at the forthcoming Annual General Meeting for the appointment of KPMG LLP as auditor of the Company and to authorise the Directors to determine the remuneration of the auditor. The Board's Audit Committee reviews the appointment of the Auditor and the Auditor's effectiveness and relationship with the Group, including the level of audit and non-audit fees paid. Further details on the work of the Audit Committee are set out on pages 51 and 52 in the Corporate Governance Report 2014.

Annual General Meeting

The Company's 2014 Annual General Meeting will be held at Reigate Town Hall, Castlefield Road, Reigate, Surrey RH2 0SH at 10.00am on Tuesday 25 November 2014. The resolutions that will be proposed at the AGM are set out in the separate Notice of Annual General Meeting which accompanies this Annual Report and Financial Statements.

By order of the Board:



Martin Smith
Group Company Secretary
17 September 2014

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law, and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law ("UK Generally Accepted Accounting Practice").

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company, and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group 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.

Directors' responsibility statement

We confirm to the best of our knowledge that:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

The Strategic Report contains certain forward-looking statements providing additional information to shareholders to assess the potential for the Company's strategies to succeed. Such statements are made by the Directors in good faith, based on the information available to them up to the date of their approval of this report, and should be treated with caution due to the inherent uncertainties underlying forward-looking information.

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report and Accounts except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

By order of the Board:

Rodney Cook
Chief Executive Officer

Simon Thomas
Group Finance Director
17 September 2014

Corporate governance report 2014

Chairman's introduction

The Group Board is committed to the highest standards of corporate governance in Just Retirement and demonstrates this commitment by the way in which it conducts business and carries out its responsibilities. Board decisions aim to link the Group's strategy, its governance and risk appetite to the pursuit of sustainable successful growth over the longer term for the benefit of all stakeholders.

From admission to the London Stock Exchange on 15 November 2013, the Company has complied with the UK Corporate Governance Code except with respect to the composition of the Board prior to 30 April 2014. On that date the Board appointed Michael Deakin as the fourth independent Non-executive Director and so complied with the Code provision for a balanced Board. Our approach to applying the principles of the Code and how we comply with its provisions are described in the Governance Report that follows. Two notable governance issues addressed in the financial year were:

- The Company entered into a Relationship Agreement with Avallux, its principal shareholder, to ensure that from Admission the Company would be able, at all times, to carry on its business independently of Avallux and that all transactions and relationships between the Company and Avallux would be at arm's length and on a normal commercial basis; and
- The Company's share price fell sharply following the Government's Budget announcement on 19 March 2014 regarding proposed reforms to the retirement income market. A standing incident management process was immediately invoked to address the need to quickly inform investors of the Company's response and later that day, following a review of available information and input from advisers, the Market Disclosure Committee released an announcement to the London Stock Exchange.

Our view is that good governance will play an increasingly key role in the Company's response to the challenges and opportunities of a changing market, set against the background of a broadening regulatory environment for financial services. The Group Board will continue to lead the development of a governance framework that promotes transparency, accountability and challenge as the fundamental underlying principles for the Board's entrepreneurial and prudent approach to developing Just Retirement's business.

Tom Cross Brown
Chairman
17 September 2014

Group governance framework

The following chart illustrates the governance structure established by the Group Board:

The Group Board has delegated specific responsibilities to the Audit, Remuneration, Nominations, and Risk and Compliance Committees to assist it with the direction and control of the Group. These Committees, together with the Investment Committee of the Just Retirement Limited Board and the Group Executive Committee, are the principal operating Committees of the Group.

The Chief Executive Officer operates a Group Executive Committee to support him in the performance of his duties, including the development and implementation of strategy, the monitoring of operating and financial performance, the assessment of control and risk, the supervision and prioritisation of resources, the monitoring of competitive forces and the day-to-day operational management of the Group.

The Group Executive Committee comprises the Executive Directors Rodney Cook, Simon Thomas, Shayne Deighton and the following from the Group's senior management: Hugh McKee (Managing Director designate of Just Retirement's UK Life business); Chris Berryman (Group Chief Operating Officer); David Cooper (Group Distribution & Marketing Director); Paul Turner (Group Director of Business Development); Anne Ridge (Group HR Director); and Alex Duncan (Chief Risk Officer). Steve Kyle (Group Regulatory & Audit Director) provides independent input. The Group Executive Committee meets weekly to discuss and approve operational matters and is supported by management sub-committees focusing on the following areas: risk, pricing, assets and liabilities, insurance, products and propositions, change, and regulatory oversight.

In addition to its principal operating Committees, the Board has established a Market Disclosure Committee and an Allotment Committee, which meet whenever necessary.

The Market Disclosure Committee oversees the disclosure of information by the Company to meet its obligations under the UK Listing Authority Disclosure and Transparency Rules, and to ensure that decisions in relation to those obligations can be made quickly. The Committee's role is to determine whether information is insider's information, when such information needs to be disclosed and whether any announcements are required. Other responsibilities include reviewing and approving announcements concerning developments in Just Retirement's business and monitoring compliance with the Group's DTR disclosure controls and procedures. Its members comprise Tom Cross Brown (Chair), Keith Nicholson, Rodney Cook and Simon Thomas.

The Allotment Committee has responsibility for overseeing the allotment and listing of new ordinary shares in the Company in accordance with the Company's executive incentive plans and employee share plans. Its members comprise any two Directors, one of whom must be a Non-executive Director.

Every Board Committee has written terms of reference setting out its duties, reporting responsibilities and authorities which are reviewed annually. Committee terms of reference are subject to periodic updating to reflect any changes in legislation, regulation or best practice. Further details on Committees are set out on pages 50 to 54. The terms of reference for the Audit, Remuneration and Nominations Committees are available on the Group's website at www.justretirementgroup.com.

Corporate governance report 2014

continued

Group governance framework continued

The five main Board Committees are comprised of Non-executive Directors of the Company who were appointed by the Board following review and recommendation by the Nominations Committee. The Chairman of each Committee reports on the proceedings of the previous Committee meeting at the next scheduled Board meeting. The Group Company Secretary is the Secretary of every Committee. The following table shows the members and invited attendees of the Board Committees:

	Audit	Remuneration	Nominations	Risk and Compliance	Investment
Tom Cross Brown	By invitation	Member	Chair	Member	Member
Rodney Cook	By invitation	By invitation	By invitation	By invitation	By invitation
Simon Thomas	By invitation	–	–	By invitation	By invitation
Shayne Deighton	By invitation	–	–	By invitation	By invitation
Les Owen	Chair	Member	–	Member	By invitation
James Fraser	By invitation	–	Member	By invitation	By invitation
Keith Nicholson	Member	Member	Member	Chair	Member
Kate Avery	Member	Chair	–	Member	By invitation
Michael Deakin	Member	–	–	Member	Chair

Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, internal and external audits, and controls, including reviewing the Group's annual financial statements, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit activities, internal controls and risk management systems in place within the Group. The Audit Committee will normally meet not less than four times a year and is chaired by Les Owen. Its other members are Keith Nicholson, Kate Avery and Michael Deakin.

Remuneration Committee

The Remuneration Committee recommends what policy the Group should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors and the Chairman, and recommends and monitors the remuneration of members of senior management. The Remuneration Committee will also generate an annual remuneration report to be approved by the members of the Group at the Annual General Meeting. The Remuneration Committee will normally meet not less than twice a year and is chaired by Kate Avery. Its other members are Tom Cross Brown, Keith Nicholson and Les Owen.

Nominations Committee

The Nominations Committee assists the Board in determining the composition and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The Nominations Committee also determines succession plans for the Chairman and Chief Executive Officer. The Nominations Committee will normally meet not less than twice a year and is chaired by Tom Cross Brown. Its other members are James Fraser and Keith Nicholson.

Risk and Compliance Committee

The Risk and Compliance Committee is principally responsible for assisting the Board and other members of the Group in the discharge of their risk and regulatory oversight responsibilities. The Risk and Compliance Committee reviews and challenges the overall effectiveness of the Group's regulatory systems and controls, risk management and future developments. The Risk and Compliance Committee also provides advice on regulatory and risk strategies including oversight of current risk exposures. The Risk and Compliance Committee will normally meet not less than four times a year and is chaired by Keith Nicholson. Its other members are Tom Cross Brown, Les Owen, Kate Avery and Michael Deakin.

Investment Committee

The Investment Committee of the Board of Just Retirement Limited assists that Board in achieving its investment objectives. The Investment Committee is responsible for reviewing and overseeing the implementation of Just Retirement Limited's investment policy, including the performance of the investment portfolio, recommending the appointment and assessing the performance of the external investment managers, and the effectiveness of reporting procedures. The Investment Committee will normally meet not less than four times a year and is chaired by Michael Deakin. Its other members are Tom Cross Brown and Keith Nicholson. The remaining Directors of the Just Retirement Group plc Board attend by invitation.

Board responsibilities and operation

The Group Board is responsible for the proper management of Just Retirement's Group strategy and direction, including its risk appetite. It also oversees the activities and direction of Just Retirement Limited and the Group's other operating subsidiaries. There are nine Board members: the Chairman (independent on appointment), three Executive and five Non-executive Directors (four of whom are considered independent). Keith Nicholson is the Senior Independent Non-executive Director.

The Board considers that the Non-executive Directors Keith Nicholson, Les Owen, Kate Avery and Michael Deakin are each independent of management in character, judgement and opinion. The Board acknowledges that James Fraser, as the nominated principal shareholder Director in the Company's relationship agreement with Avallux (the Company's principal shareholder), must therefore be considered non-independent within the meaning of the UK Corporate Governance Code. The Board benefits from the wide range of sector experience of its Non-executive Directors. Biographical details of all Directors are given on pages 38 and 39.

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the Chairman and the Chief Executive Officer ("CEO"), are essential elements in the Group's governance framework and facilitate the effective operation of the Board.

The Chairman is responsible for the effective leadership and governance of the Board but takes no part in the day-to-day running of the business. His key responsibilities include:

- Leading the Board effectively to ensure it is primarily focused on strategy, performance, value creation and accountability;
- Ensuring the Board determines the significant risks the Group is willing to embrace in the implementation of its strategy;
- Leading the succession planning process and chairing the Nominations Committee;
- Encouraging all Directors to contribute fully to Board discussions and ensuring that sufficient challenge applies to major proposals;
- Fostering relationships within the Board and providing a sounding board for the CEO on important business issues;
- Identifying development needs for the Board and Directors;
- Leading the process for evaluating the performance of the Board, its Committees and individual Directors; and
- Ensuring effective communication with major shareholders.

The CEO is responsible for leadership of the Group's business and managing it within the authorities delegated by the Board. His key responsibilities include:

- Proposing and developing the Group's strategy and significant commercial initiatives;
- Leading the executive team in the day-to-day running of the Group;
- Ensuring the Group's operations are in accordance with the business plan approved by the Board, the Board's overall risk appetite, the policies established by the Board, and applicable laws and regulations;
- Representation of the Group's interests in the UK and abroad;
- Maintaining dialogue with the Chairman on important business and strategy issues;
- Recommending budgets and forecasts for Board approval;
- Providing recommendations to the Remuneration Committee on remuneration strategy for Executive Directors and other senior management; and
- Leading the communication programme with shareholders and ensuring the appropriate and timely disclosure of information to the stock market.

In addition to their roles as Non-executive Directors to constructively challenge and help develop the Group's strategy, Les Owen, Kate Avery and Keith Nicholson respectively chair the Board's Audit, Remuneration, and Risk and Compliance Committees, while Michael Deakin chairs the Investment Committee of Just Retirement Limited. As the Senior Independent Director, Keith Nicholson provides a sounding board for the Chairman, deputises for the Chairman in his absence and serves as an intermediary for the other Directors when necessary.

Decisions on operational matters are delegated to the Executive Directors under documented policies and procedures. In advance of scheduled Board meetings, each Director receives documentation providing updates on the Group's strategy, finances, operations and development, and which have reference to a formal schedule of matters reserved for Board approval, which includes:

- The Group's business strategy and risk appetite;
- Business strategy plans and objectives, budgets and forecasts;
- Extension of the Group's activities into new business or geographic areas;
- Changes in capital structure and any form of fund raising;
- Major changes to the Group's corporate structure, including reorganisations, acquisitions, disposals and major capital projects;
- The Group's systems of internal control and risk management;
- Changes to the membership of the Board;
- Interim and annual financial statements; and
- Dividend policy.

The schedule of matters reserved for Board approval is reviewed annually.

Corporate governance report 2014

continued

Board responsibilities and operation continued

The Board has 11 scheduled meetings a year and meetings are convened at other times as and when necessary; nine Board meetings were held in the period since the Company's listing on the London Stock Exchange on 15 November 2013. The following table shows Directors' attendance at Board meetings and, where they are members, of Committee meetings since the Company's listing up to 30 June 2014. During this period six of the Board meetings were scheduled and three were additional meetings called at short notice.

	Board	Audit	Remuneration	Nominations	Risk and Compliance
Tom Cross Brown ¹	9/9	–	4/5	2/2	2/2
Rodney Cook ¹	8/9	–	–	–	–
Simon Thomas	9/9	–	–	–	–
Shayne Deighton	9/9	–	–	–	–
Les Owen ¹	7/9	4/4	3/5	–	2/2
James Fraser ¹	8/9	–	–	1/2	–
Keith Nicholson	9/9	4/4	5/5	2/2	2/2
Kate Avery ¹	8/9	2/4	4/5	–	2/2
Michael Deakin ²	3/3	2/2	–	–	1/1

Notes:

¹ The Director was unable to attend the Board or Committee meeting(s) due to prior commitments or meetings being called at short notice.

² Michael Deakin was appointed to the Board on 30 April 2014.

The Nominations Committee reviews the balance of skills, experience, independence and knowledge of the Company provided by the Directors, with the aim of ensuring the Board has the capabilities necessary to deliver its responsibilities for business strategy and governance. The Board supports the principle of improving gender balance in the boardroom. Further information about the Board's policy on diversity is given on page 13.

Non-executive Directors' appointments are subject to review every three years. Their letters of appointment set out the expected time commitment, recognising the need for availability in exceptional circumstances, and the Board is informed of any subsequent changes in their other significant commitments. None of the Executive Directors hold a Non-executive Directorship in a FTSE 100 company. All Directors' appointments are subject to annual re-election by shareholders.

A Group policy and process is in place to address possible conflicts of interest of Directors. Any relevant conflicts and potential conflicts with the interests of the Company that arise must be disclosed at the next Board meeting for consideration and, if appropriate, authorisation by relevant Board members in accordance with the Company's articles. No conflicts were disclosed in the period.

The Board has established a broad risk governance and management framework, which is designed to provide control and oversight over the management of all financial and non-financial risks. The Group operates a "Three Lines of Defence" model. The first line of defence is line management who devise and operate the controls over the business. The second line functions are Risk Management and Compliance, which oversees the first line, ensure that the system of controls are sufficient and are operated appropriately, and also measure and report on risk to the Group Risk and Compliance Committee. The third line comprises Internal Audit and the external auditor who provides independent assurance to the Board and its Committees that the first and second lines are operating appropriately.

The Board is ultimately responsible for the effectiveness and monitoring of the Group's systems of internal control, covering all material financial, operational and compliance controls, and for undertaking an annual review of the control systems in place, while the implementation of internal control systems is the responsibility of management. The Group's systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material financial misstatement. The Group's internal control systems comprise the following key features:

- Establishment of clear and detailed terms of reference for the Board and each of its Committees;
- A clear organisational structure, with documented delegation of authority from the Board to senior management;
- A Group policy framework, which sets out risk management and control standards for the Group's operations; and
- Defined procedures for the approval of major transactions and capital allocation.

It is the view of the Board that the Group's internal controls are appropriate to the Group's needs at this time. Internal controls are kept under review by the Board and its Committees and the Board is committed to maintaining standards of internal controls that are in line with industry practice, the Group's needs and regulatory regimes, in particular the requirements of the PRA and FCA.

An annual performance evaluation of the Board, its Committees and of individual Directors was conducted after the year end through the use of a questionnaire which was completed by all Directors and followed by meetings of individual Directors with the Chairman. The questionnaire responses were collated and analysed by the Group Company Secretary. The results were reviewed by the Chairman and communicated by him to the Board, including actions that were required to help improve effectiveness. Overall, the Board noted that there was a high degree of consensus on key governance themes. Led by the Senior Independent Director, the Non-executive Directors (excluding the Chairman) met as a group to evaluate the performance of the Chairman (taking into account the views of Executive Directors); the results of that process were communicated to the Board by the Senior Independent Director.

All new Directors receive formal induction on joining the Board and a tailored training plan. Their induction includes discussions with the Chairman and Executive Directors as well as one-to-one briefings and presentations from senior management on matters relating to the Group's business, its procedures and regulatory developments. As part of the annual Board effectiveness review, the Chairman discusses with each of the Directors their training and development needs.

Directors may seek independent professional advice at the Company's expense where they consider it appropriate in relation to their duties. All Directors have access to the advice and services of the Company Secretary.

The Company maintains an ongoing dialogue with its major institutional shareholders through a scheduled programme of meetings which are generally undertaken by the CEO and Group Finance Director. An investor relations function provides the Board with regular analyses of investor activity and share price performance. Analysts' and brokers' reports are made available to all Directors and they also receive feedback from investor meetings. The Senior Independent Director is available for consultation by shareholders if they have concerns which are inappropriate to raise with the Chairman, CEO or other Executive Directors. Further information for shareholders is included on pages 131 and 132.

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Statement from the Chairman of the Nominations Committee

Role of the Committee

The role of the Nominations Committee is to keep under review the leadership needs of the Company, and regularly review the size and composition of the Board, where appropriate making recommendations for the orderly succession of Executive and Non-executive Director appointments, and the progressive refreshing of the Board and its Committees. In assisting and advising the Board, the Committee seeks to maintain an appropriate balance of skills, knowledge, independence, experience and diversity on the Board, taking into account the challenges and opportunities facing the Group.

The Nominations Committee comprises three Non-executive Directors, two of whom are deemed independent by the Board. The Committee meets at least twice a year and the Chief Executive and the Group Human Resources Director are normally invited to attend meetings.

The Committee's duties are explained in more detail in its terms of reference which is available on the Group's website at www.justretirementgroup.com.

Appointments policy and process

Appointments to the Board of the Company are made on merit, having regard to the requirements of the role that will best support the business and promote the success of the Company. The Committee begins the recruitment process by evaluating the balance of experience and abilities on the Board and then agreeing a specification for the role and a personal skills set which together form the basis for discussion with relevant search firms. The specification is then refined through discussion with the selected search firm, with due regard given for the benefits of diversity on the Board, so that a long list of potential interviewees includes female candidates. A short-list is then selected and considered. Short-listed candidates are interviewed by the Chairman, other Committee members and the Chief Executive. The Committee then decides whether to recommend an appointment to the Board for approval.

The Nominations Committee has met formally on three occasions since the Company's listing in November 2013, supported by numerous discussions which took place as a working party of the Committee to progress recruitment processes aimed at securing lists of strong potential candidates for Non-executive Directorships and roles in senior management. Committee activities have included:

- Considering the composition of the Board and its Committees ahead of the Company's IPO on 15 November 2013, particularly the independence of Non-executive Directors and the balance of abilities and experience required of both Executive Directors and Non-executive Directors;
- Recommending to the Board the pre-IPO appointment of two Non-executive Directors, Keith Nicholson as the Senior Independent Director (and also Chairman of the Risk and Compliance Committee) and Kate Avery (also as Chairman of the Remuneration Committee). The appointment in April 2014 of Michael Deakin as the fourth independent Non-executive Director ensured a balanced Board. Korn Ferry and Whitehead Mann have been engaged to assist with Board recruitments, while CT Partners and Elliott Bauer have assisted with senior management appointments, and all such consultancies have provided no other services to the Company during the year;
- Commencing the search for a successor to Les Owen who has decided to step down from his Non-executive Director role, and as Chairman of the Audit Committee, from the conclusion of the forthcoming Annual General Meeting. He has served highly effectively in both capacities with Just Retirement for over four years. The Committee intends to appoint an additional independent Non-executive Director, subject to regulatory requirements being met by that individual, to ensure the continuation of a balanced Board;
- Keeping under review the independence of the Non-executive Directors, considering the judgement, thinking and constructive challenge that they each demonstrate in Board and Committee discussions. Reference was also made to the specific factors identified in the UK Corporate Governance Code as potentially relevant in determining independence, with the Committee having concluded that James Fraser must be considered non-independent because of his nominated Directorship by the Company's major shareholder; and
- Recommending to the Board that, apart from Les Owen who intends to retire, each of the Directors be proposed for re-election by shareholders at the Annual General Meeting on 25 November 2014. The Committee made this recommendation, having considered the balance of abilities and experience required of both Executive Directors and Non-executive Directors, and on the basis that all Non-executive Directors, whether independent or not, demonstrate the personal qualities necessary to contribute to the leadership of the Company.

Tom Cross Brown
Committee Chairman

Statement from the Chairman of the Audit Committee

Overview

The Audit Committee plays an essential role in the Company's governance framework, having been delegated by the Board the oversight of the Group's financial reporting, external audits, and internal controls and risk management systems. The Committee is also, at the Board's request, responsible for advising the Board that the Annual Report and Accounts is fair, balanced and understandable, as required by the UK Corporate Governance Code (the "Code"). The Committee's main responsibilities, which are explained in more detail in its terms of reference, are to review and advise the Board on:

- Half yearly and annual financial statements, the accounting policies applied and any significant judgements;
- The Annual Report and Accounts to assess that it is fair, balanced and understandable;
- The scope of the external audit and the key findings, including external auditor effectiveness and independence;
- Recommendations for the appointment and remuneration of the external auditor;
- The effectiveness of the Group internal control environment;
- Group Internal Audit activities and findings; and
- The appointment and performance assessment of the Head of Internal Audit.

A broad range of financial, actuarial and commercial experience and knowledge is brought to bear by members of the Committee to its work. The Board considers that I have recent and relevant financial experience as required by the Code. Board members, the Group Regulatory and Audit Director, the Head of Internal Audit, the Director of Finance, the Chief Risk Officer, and the Actuarial Function Holder are invited to attend meetings and periodically, I have individual discussions with the Group Finance Director, the Head of Internal Audit and the KPMG Audit Plc ("KPMG") Audit Director.

Close liaison between the Audit Committee and the Risk and Compliance Committee is achieved through the cross-membership and co-operation of their respective Chairmen, enabling the Audit Committee to focus on the control environment, and on reviewing the results of internal and external audits to inform the work of the Risk and Compliance Committee. I report regularly to the Board on the activities the Audit Committee has undertaken.

In assisting the Board with the discharge of its responsibilities in relation to internal controls, the Audit Committee has reviewed the effectiveness of the Group's control systems based on reports from the Group Regulatory and Audit Director and the Group Finance Director. The Committee concluded that the Group's internal controls are appropriate to the Group's needs at this time.

Committee activities

An annual schedule of Committee business, based on the Committee's terms of reference, and regular individual discussions I have with the Group Regulatory and Audit Director and the Group Finance Director support the process of agenda setting for each meeting. Since the Company's listing in November 2013 up to the date of this report, the Committee has met on seven occasions. Five meetings were mainly in relation to the Group's financial reporting cycle, in particular the half year and full year results and the Annual Report and Accounts. The remainder of my report describes the main areas of assurance considered by the Committee during that period and how any matters were addressed.

2014 financial reporting

The Audit Committee is satisfied that the Annual Report and Accounts for the year ended 30 June 2014, taken as a whole, is a fair, balanced and understandable assessment of the Company's position and prospects, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and has advised the Board accordingly. In reaching this conclusion, the Committee has considered the information and assurance provided by Group Internal Audit, information provided by management, and the external audit conducted by KPMG.

The primary audit risks identified in KPMG's audit plan for the financial year addressed the judgemental appropriateness of the assumptions and methodologies adopted in respect of insurance liabilities, annuitant longevity, mortgage valuation and reinsurance assets.

The main areas of judgement considered by the Committee in respect of the 2014 consolidated financial statements, and how these were addressed, included the following:

- The valuation rate of interest used to calculate the Group's insurance liabilities is calculated from yields on supporting assets. An explicit deduction is made from the yields on corporate bonds based on prudent expectations of default experience for each asset class. The Committee addresses both the methodology of the deduction and its quantum by receiving a recommendation from the Group Finance Director, whose recommendations are also reviewed by the actuary advising the auditor;
- The length of time the Group's annuitants will live and therefore the projected cash flows for annuity liabilities are key assumptions in calculating insurance liabilities. Assumptions regarding annuitant longevity are reviewed by the Committee, which receives regular reports on the actual against expected number of deaths from the Chief Actuary. The Committee assesses the components of the assumptions, which take into account the medical and lifestyle evidence collected during the underwriting process, and assessments of how this experience will develop in future. The Committee takes into consideration input from the Group's lead reinsurer and management's own industry experience in addition to receiving a recommendation from the Actuarial Function Holder. Such recommendations are also reviewed by the actuary advising the auditor;
- Assumptions used to value the Group's lifetime mortgage loans include projections of future cash flows expected to arise from each loan. Future cash flows allow for expected house price growth, house price volatility, mortality experience and the costs arising from no-negative equity guarantees. The Committee addresses these by receiving reports from both the Chief Actuary and the Actuarial Function Holder regarding development of assumptions and any changes thereto; and
- Assumptions used to value reinsurance assets include longevity and economic assumptions and the credit quality of the reinsurers. The Committee considers the assumptions alongside those used in the calculation of insurance liabilities and in addition receives a recommendation from both the Chief Actuary and the Actuarial Function Holder. The Committee also considers the impacts and rationale related to the recapture process in light of management's own industry experience.

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continued

Statement from the Chairman of the Audit Committee continued

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures in relation to key judgements have been included in the financial statements. In reaching this conclusion, the Committee considered reports and analysis prepared by management and constructively challenged the assumptions. Detailed reporting from, and discussion with, the external auditor were also considered by the Committee.

Other key financial reporting assurance work undertaken by the Committee involved reviewing the:

- Impairment reviews regarding the economic values of intangible assets held by the Group and investments in Group subsidiaries;
- Accounting for the Company's share schemes; and
- Accounting for the reorganisation of the Group prior to the IPO.

External audit

A review of KPMG's independence and audit process effectiveness was conducted by the Audit Committee, as part of its review of the Group's financial reporting for the year to 30 June 2014. KPMG had proposed that a parent entity, KPMG LLP, be the auditor for the year ending 30 June 2015, as they sought to wind down the activity of KPMG Audit Plc. The Committee was satisfied with the assurances given by KPMG that the Company would still be served by the same engagement team and there would be no adverse effect on service delivery. Accordingly the Committee recommended to the Board that shareholder approval be sought at the forthcoming AGM for the appointment of KPMG LLP as the Company's auditor for 2015 and for the Board to determine the auditor's remuneration.

The Audit Committee assesses the effectiveness of the external audit process by:

- Reviewing KPMG's audit plan at the start of the audit cycle, their materiality level and identification of key audit risks;
- Challenging the findings of KPMG in testing management's assumptions and estimates in relation to the key audit risks;
- Considering the execution of KPMG's audit against the plan and their reporting to the Committee in respect of the half year and full year financial statements; and
- Discussions with management and (without management present) the audit engagement partner.

Management reported to the Committee that they were satisfied that the quality of the external audit process had been good, with appropriate focus and challenge on the key audit risks. Based on this and its own assessment work, the Committee agreed with the view of management.

To help ensure the objectivity and independence of the Company's auditor, there is a Group policy governing the undertaking of non-audit services by external auditors, which was reviewed by the Committee during the period. The Committee was satisfied that the objectivity and independence of KPMG was not impaired by the nature of the non-audit services undertaken during the year, the level of non-audit fees charged or any other circumstances. Excluding IPO reporting accountant fees of £1.36m, non-audit fees payable to KPMG totalled £0.38m for tax advisory and other assurance services during the year. An analysis of their audit and non-audit fees for the year is given in note 4 to the financial statements on page 85.

In assessing KPMG's independence, the Committee received written confirmation that, in KPMG's professional judgement, KPMG is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The Committee noted the requirement under the Code to tender the external audit services contract at least every 10 years and the need for audit tendering to fit a partner rotation cycle of five years. The Committee's current intention is to consider tendering arrangements at the time of the next audit partner rotation.

Internal audit

Group Internal Audit provides the Audit Committee with a quarterly update report. The purpose of this report is to highlight any major control issues arising from the annual assurance plan approved by the Committee, together with information on current activities and reports on the progress, findings and recommendations in respect of actions required of management. The Committee discussed the lessons learned from, and challenged whether further actions or changes to process were required as a result of, internal audit findings and recommendations.

Other key assurance work undertaken by the Committee included reviewing the resourcing of the Group's internal audit function and considering the commissioning of external independent assurance in respect of the Group's project for implementing Solvency II. A bottom-up review of the operational risk management process identified additional development actions to further embed the positive Group risk culture by strengthening the level of challenge and improving the consistency of risk application in day-to-day activities.

The Audit Committee commissioned Deloitte during the year to conduct a report on the effectiveness of the Group's internal audit function against stakeholder expectations and professional standards, which they subsequently assessed overall as operating effectively, conforming to good practice and with no material recommendations for improvement. The Committee was satisfied that, in the context of the Group's risk appetite and overall risk management system, internal audit resources had been applied effectively to key areas of the business.

Les Owen
Committee Chairman

Statement from the Chairman of the Risk and Compliance Committee

Oversight role of Committee

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control systems. The risk appetite set by the Board, which governs our overall attitude to risk and reward, is based on the delivery of long-term value and confidence for our shareholders and the most appropriate outcomes for our customers.

The Risk and Compliance Committee reviews and challenges the overall effectiveness of the Group's risk management, regulatory systems and controls and future developments. The Committee's key responsibilities, which are explained in more detail in its terms of reference, are to assist and advise the Board in the discharge of its risk and regulatory oversight responsibilities by:

- Recommending to the Board the Group's overall risk appetite;
- Assessing the management of risks so that Group risk exposures and emerging risks remain within agreed risk tolerances and limits; and
- Reviewing the effectiveness of the systems for monitoring compliance with applicable laws, regulations and the findings of regulatory bodies.

Main activities of the Committee

Since the Company's listing in November 2013 until the date of this report, the Risk and Compliance Committee has met on four occasions. The business risks as a consequence of the Government's Budget announcement on 19 March 2014 were dealt with by the Board, with input from the Chief Risk Officer, which was appropriate in the circumstances.

The process of agenda setting for each Committee meeting is driven by an annual programme of business, based on the Committee's terms of reference and regular one-to-one discussions I have with the Chief Risk Officer and the Group Regulatory and Audit Director, to ensure that all significant areas of risk are reported on and considered.

The main activities undertaken by the Committee during the year were:

- Reviewed the risk appetites used to guide management in pursuing the Group's business plan;
- Monitored the delivery of the Group business plan against the agreed appetite for each key risk;
- Assessed individual risks against the Group's appetite through the use of scenario analyses;
- Reviewed the Group's Own Risk Solvency Assessment ("ORSA") which provides a broader and more forward-looking assessment of Group risks and whether adequate capital and contingency plans are in place;
- Monitored the progress of preparations for Solvency II and considering the provision of external independent assurance;
- Reviewed regular reports on regulatory compliance and management's dialogues with the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") aimed at better understanding the areas of developing focus for the regulators and how these might influence the oversight role of the Committee;
- Considered changes to risk management and compliance policies and, where appropriate, recommended their approval to the Board;
- Reviewed management's approach to cyber-crime risk and information security;
- Maintained a close liaison with the Audit Committee, helping to inform the Committee's oversight of the Group's risk management framework; and
- Reviewed the results of an evaluation of risk management effectiveness, concluding that the Group's risk management approach and application was suitable for the complexity and scale of its business and was operating effectively, with some areas for further improvement during 2014/15. The Committee advised the Board that, in reaching this conclusion, it had considered information provided by the Group Risk function.

Looking forward into our next financial year, the focus of the Committee will be on two significant issues:

- Adapting the Group risk operating model to align with organisational change and management's implementation of business strategy in response to the Government's proposed reforms to the retirement income market; and
- Completion of key steps to ensure the Group's readiness for Solvency II implementation.

Keith Nicholson
Committee Chairman

Directors' remuneration report

Statement from the Chairman of the Remuneration Committee

On behalf of the Board of Directors I am pleased to present the shareholders with our first Directors' Remuneration Report, for the year ended 30 June 2014.

The report is comprised of three parts:

1. This annual statement which summarises the key decisions made by the Committee during the year and forms part of the Annual Report on Remuneration;
2. The Directors' Remuneration Policy on pages 55 to 61 which describes the key principles of our approach and which will be subject to a binding shareholder vote at the AGM on 25 November 2014; and
3. The Annual Report on Remuneration on pages 62 to 67 which sets out the details of key payments to Executive and Non-executive Directors in respect of the 2013/14 year, and which will be subject to an advisory vote at the AGM.

The strategic context

This has been a challenging year for Just Retirement. The Company listed on the Stock Exchange in November 2013 and a detailed review of remuneration for Executive and Non-executive Directors took place prior to that, to reflect the size and scale of a FTSE 250 listed company. The remuneration terms established for those Directors were outlined in the Company's listing prospectus dated 12 November 2013.

In March 2014 the annual Budget announcement proposing greater pension freedom and a period of consultation until April 2015 has had a considerable impact on the business, and performance was affected in Q4. New business annuity volumes reduced by approximately 50%. In response the Group has undertaken a number of self-help measures including reducing costs by £14m.

Key pay outcomes during the 2013/14 year

The remuneration arrangements for executives were reviewed at the time of IPO and consist of:

- Salaries set at a broadly mid-market level against comparable life insurers;
- A "benefit allowance" to ensure competitive and cost-effective pension and benefits provision;
- A Short-Term Incentive Plan with bonus deferral in shares for three years subject to malus and clawback;
- A Long-Term Incentive Plan; and
- The opportunity to participate in all-employee share plans.

The first awards under the LTIP were granted on 15 November 2013 with a face value of 200% of salary for the CEO and 150% of salary for the other Executive Directors. Vesting of these awards is subject to achievement of IFRS Operating Profit (50% of the award) and Relative TSR (50% of the award) performance conditions, measured at the end of the 2015/16 financial year.

Bonuses of between 85% and 95% of salary were awarded to the Executive Directors for the 2013/14 financial year. This reflected performance against the corporate performance indicators (Value of New Business and Post-Tax Operating Profit) that was above plan and individual performance indicators. In particular, financial performance for the nine months prior to the Budget was above plan and while the Budget affected performance in the final quarter, performance against the corporate performance indicators remained strong.

An overview of objectives, performance indicators and the resultant bonuses paid to the Executive Directors can be found on page 63.

Remuneration policy for 2014/15

The Group's cost reduction plans for expenses in the year 2014/15 meant that over 90 roles were lost and the planned salary review for all employees, including Executive Directors, did not take place from July 2014. Those employees remaining whose Company pension contributions were 10% (approximately 75% of the workforce) saw a one-year 5% reduction in August 2014. Executive Directors' and senior management's benefit allowances were also temporarily reduced by 10% of base salary and the Non-executive Directors' fees were reduced by 10%, both with effect from 1 July 2014.

No structural changes to the policy outlined on pages 55 to 61 are proposed for the coming year.

Conclusion

This has been a year of considerable change for the Group which is likely to continue well into 2014/15. We are committed to ensuring that remuneration practices attract and retain the best people, and reward performance that is aligned with outcomes for shareholders.

Kate Avery

Chairman of the Remuneration Committee

What is in the Directors' remuneration report?

This report describes the details of the remuneration policy for our Executive Directors and Non-executive Directors, sets out how this policy has been used and, accordingly, the amounts paid relating to the year ended 30 June 2014.

The report has been prepared in accordance with the provisions of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. The report has also been prepared in line with the recommendations of the UK Corporate Governance Code.

DIRECTORS' REMUNERATION POLICY

This part of the Remuneration Report sets out the Group's remuneration policy for its Executive and Non-executive Directors. The policy has been developed taking into account the principles of the UK Corporate Governance Code, guidelines from major investors and guidance from the PRA and FCA on best practice. The Directors' Remuneration Policy will be put to a binding shareholder vote at the AGM on 25 November 2014 and, subject to shareholder approval, will take formal effect from that date.

What is the role of the Remuneration Committee?

The Remuneration Committee (the "Committee") has responsibility for determining the overall pay policy for the Group.

In particular, the Committee is responsible for:

- Approving the framework or broad policy for the remuneration of the Chief Executive, the Chairman of the Group, the Executive Directors, and other senior management;
- Approving their remuneration packages and service contracts;
- Reviewing the ongoing appropriateness and relevance of the remuneration policy;
- Approving the design of, and determining targets for, all performance-related pay schemes operated by the Group and approving the total annual payments made under such schemes; and
- Reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee determines each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors and other senior management, and the performance targets to be used.

The Committee's terms of reference are available on the Group's website or are available in hard copy on request from the Company Secretary.

What is the Committee's remuneration policy?

When setting the policy for Directors' remuneration, the Committee takes into account the overall business strategy and risk tolerance, considering the long-term interests of the Group with a view to adequately attracting, retaining and rewarding skilled individuals and delivering rewards to shareholders.

Consistent with these principles, the Committee has agreed a remuneration policy for senior management, including Executive Directors, whereby:

- Both salaries and total pay potential will be set at competitive levels compared to insurance peers and other companies of equivalent size and complexity;
- Performance-related pay, based on stretching targets, will form a significant part of remuneration packages; and
- There will be an appropriate balance between short and longer-term performance targets linked to delivery of the Group's business plan.

Key considerations therefore are to:

- Align Directors' remuneration with the interests of shareholders, customers and other external stakeholders;
- Operate remuneration practices in order to attract, motivate, reward and retain appropriately qualified and experienced individuals of the highest calibre;
- Link pay to long-term performance;
- Ensure disclosures provide transparency and accountability;
- Encourage a high performing culture; and
- Ensure remuneration and incentives support good risk management practice.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour.

More generally, with regard to the overall remuneration structure, there is no restriction on the Committee that prevents it from taking into account corporate governance on ESG matters.

In addition, the Committee regularly reviews the remuneration packages for the Group's Executive Directors and senior management, via liaison with the Risk and Compliance Committee and the Group's Risk function, to ensure that they do not encourage inappropriate risk-taking.

Directors' remuneration report continued

What does the Committee take into account when setting remuneration?

From time to time, a review of remuneration is undertaken to ensure reward levels are competitive with the external market, taking account of the duties and responsibilities of the roles.

In line with Just Retirement's broader remuneration framework that is intended to ensure consistency and common practice across the Group, and in determining the overall levels of remuneration of the Executive Directors, the Committee also pays due regard to pay and conditions elsewhere in the organisation.

The Committee seeks to ensure that the underlying principles which form the basis for decisions on Executive Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. For example, the Committee takes into account the general salary increase for the broader employee population when conducting the salary review for the Executive Directors.

However, there are some structural differences in the Executive Directors' Remuneration Policy (as set out below) compared to that for the broader employee base, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. A greater weight is placed on performance-based pay through the quantum and participation levels in incentive schemes. This ensures the remuneration of the Executive Directors is aligned with the performance of the Group and therefore the interests of shareholders.

Are the views of shareholders taken into account?

The Group values and is committed to dialogue with its shareholders. The Committee will consider investor feedback and the voting results received in relation to relevant AGM resolutions each year. In addition, the Committee will engage proactively with shareholders, and will ensure that shareholders are consulted in advance, where any material changes to the Directors' Remuneration Policy are proposed.

What are the elements of the Executive Directors' pay?

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
Base salary	Provides a competitive and appropriate level of basic fixed pay to help recruit and retain Directors of a sufficiently high calibre. Reflects an individual's experience, performance and responsibilities within the Group.	Set at a level which provides a fair reward for the role and which is competitive amongst relevant peers. Normally reviewed annually with any changes taking effect from 1 July. Set taking into consideration individual and Group performance, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels amongst relevant insurance peers and other companies of equivalent size and complexity. The Committee considers the impact of any basic salary increase on the total remuneration package.	Increases will normally be in line with the general increase for the broader employee population. However, more significant increases may be awarded from time to time to recognise, for example, development in role and change in position or responsibility. Current salary levels are disclosed in the Annual Report on Remuneration.
Benefits and pension	Provides a competitive, appropriate and cost effective benefits and pension package.	Each Executive Director currently receives an annual benefits allowance in lieu of pension, car, private medical insurance and other benefits. Each Executive Director also receives life assurance and permanent health insurance. The benefits provided may be subject to minor amendment from time to time by the Committee within this policy. The Group operates a money purchase pension scheme into which Directors may elect to pay part of their benefits allowance as a company contribution, having regard to Government limits on both annual amounts and lifetime allowances.	The benefits allowance is subject to an annual cap of 15% of base salary plus £20,000, although this may be subject to minor amendment to reflect changes in market rates. The cost of the other benefits provision varies from year to year and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided to ensure that it remains appropriate.

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
Short-term incentive plan ("STIP")	Incentivises the execution of annual goals by driving and rewarding performance against individual and corporate targets. Compulsory deferral of a proportion into Group shares provides alignment with shareholders.	Paid annually, any bonus under the STIP is discretionary and subject to achievement of a combination of stretching corporate financial and personal non-financial performance measures. Corporate measures determine at least two-thirds of the STIP opportunity. One-third (or such higher proportion as has been determined by the Committee) of any bonus earned will be deferred into awards over shares under the Deferred Share Bonus Plan ("DSBP"), with awards normally vesting after a three-year period. The Committee has the discretion to adjust the deferral percentage if required to comply with future regulatory requirements relevant to the insurance industry. In the case of material misconduct, misstatement, miscalculation or failure of risk management, a clawback mechanism applies whereby the Committee may at any time prior to the vesting of a deferred award reduce, cancel or impose further conditions on such award or require a cash payment to the Group in respect of such award.	The on-target bonus payable to Executive Directors is 75% of base salary with 150% of base salary the maximum payable. The bonus payable at the minimum level of performance varies from year to year and is dependent on the degree of stretch and the absolute level of budgeted profit. Dividends will accrue on DSBP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.
Long-term incentive plan ("LTIP")	Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Granting of annual awards aids retention.	Annual awards of performance shares¹ normally vest after three years subject to performance conditions and continued service. Performance is normally tested over a period of at least three financial years but, in the case of the initial LTIP awards, tested over the periods described below. Awards are subject to an absolute financial growth measure and Total Shareholder Return ("TSR") relative to the constituents of a relevant comparator index or peer group. The measures for the LTIP awards granted in 2013 and 2014 are based on IFRS operating profit growth over three financial years (50%) and TSR vs. the FTSE 250 index (excluding investment trusts, mining companies and oil and gas producers) over the performance period from Admission to 30 June 2016 for the 2013 awards and over three financial years for the 2014 awards (50%). 25% vests at threshold under the operating profit condition and 25% vests at median for the relative TSR condition. There is straight-line vesting for performance between threshold and maximum. Different performance measures and/or weightings may be applied for future awards as appropriate. However, the Committee will consult in advance with major shareholders prior to any significant changes being made. In the case of material misconduct, misstatement, miscalculation or failure of risk management, a clawback mechanism applies whereby the Committee may at any time prior to the vesting of a LTIP award reduce, cancel or impose further conditions on such award or require a cash payment to the Group in respect of such award.	The maximum opportunity is 250% of base salary. However the normal policy is that awards made to the CEO and other Executive Directors are 200% and 150% of base salary respectively. Dividends will accrue on LTIP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.

Directors' remuneration report continued

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
All-employee share plans	Encourages employee share ownership and therefore increases alignment with shareholders.	The Group may from time to time operate tax-approved share plans (such as HMRC-approved Save As You Earn Option Plan and Share Incentive Plan) for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.
Shareholding guideline	Encourages Executive Directors to build a meaningful shareholding in the Group so as to further align interests with shareholders.	Each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary in the case of the CEO and 100% of base salary for other Executive Directors. Until the guideline is met, Executive Directors are required to retain 50% of any LTIP or DSBP awards that vest (or are exercised), net of tax.	Not applicable.

1 Awards may be structured as nil-cost options which will be exercisable until the tenth anniversary of the grant date.

What discretions do the Committee retain in operating the incentive plans?

The Committee operates the Group's various incentive plans according to their respective rules. To ensure the efficient operation and administration of these plans, the Committee retains discretion in relation to a number of areas. Consistent with market practice, these include (but are not limited to) the following:

- Selecting the participants;
- The timing of grant and/or payment;
- The size of grants and/or payments (within the limits set out in the policy table above);
- The extent of vesting based on the assessment of performance;
- Determination of a "good leaver" and where relevant the extent of vesting in the case of the share-based plans;
- Treatment in exceptional circumstances such as a change of control, in which the Committee would act in the best interests of the Group and its shareholders;
- Making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- Cash settling awards; and
- The annual review of performance measures, weightings and setting targets for the discretionary incentive plans from year to year.

Any performance conditions may be amended or substituted if one or more events occur which cause the Committee to reasonably consider that the performance conditions would not without alteration achieve their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

How does the Committee choose performance measures and set targets?

The STIP is based on performance against a stretching combination of financial and non-financial performance measures. The measures are set taking account of the Group's key operational objectives and include metrics for corporate financial performance. In addition, Executive Directors and members of the senior management team are assessed on personal objectives as agreed by the Committee at the beginning of the year. The Committee reviews the focus each year and varies them as appropriate to reflect the priorities for the business in the year ahead.

Corporate financial performance measures account for at least two-thirds of the STIP opportunity. A sliding scale of targets is set for each financial KPI to encourage continuous improvement and challenge the delivery of stretch performance.

The LTIP is based on a financial growth measure and TSR performance. Relative TSR has been selected as it reflects comparative performance against a broad index of companies that are similar in size to the Group. It also aligns the rewards received by executives with the returns received by shareholders. For the 2013 and 2014 LTIP award, growth in IFRS operating profit has been used as a performance measure as it rewards improvement in the Group's underlying financial performance and is a measure of the Group's overall financial success.

A sliding scale of challenging performance targets is set for both of these measures and further details of the targets to be applied are set out in the Annual Report on Remuneration.

The Committee will review the choice of performance measures and the appropriateness of the performance targets and TSR peer group prior to each LTIP grant.

Different performance measures and/or weightings may be applied for future awards as appropriate. However, the Committee will consult in advance with major shareholders prior to any significant changes being made.

What about pre-existing arrangements?

In approving this Directors' Remuneration Policy, authority is given to the Group to honour any commitments entered into with current or former Directors that pre-date the approval of the policy. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

What would a new Executive Director be paid?**Can their pay package on appointment differ to the policy?**

The ongoing remuneration package for a new Executive Director would be set in accordance with the terms of the Group's shareholder-approved remuneration policy at the time of appointment and the maximum limits set out therein.

Salaries may be set at a below market level initially with a view to increasing them to the market rate subject to individual performance and developing into the role by making phased above inflation increases.

What then is the maximum opportunity under the incentive plans they can receive on appointment?

Currently, for an Executive Director, STIP payments will not exceed 150% of base salary and LTIP payments will not normally exceed 200% of base salary (not including any arrangements to replace forfeited entitlements).

Where necessary, specific STIP and LTIP targets may be introduced for an individual for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which they joined the Board.

What payments could an Executive Director receive beyond the policy?

The Committee retains flexibility to offer additional cash and/or share-based awards on appointment to take account of remuneration or benefit arrangements forfeited by an Executive on leaving a previous employer. If shares are used, such awards may be made under the terms of the LTIP or as permitted under the Listing Rules.

Such payments would take into account the nature of awards forfeited and would reflect (as far as possible) performance conditions, attributed expected value and the time over which they would have vested or been paid.

The Committee may agree that the Group will meet certain relocation, legal, tax equalisation and any other incidental expenses as appropriate so as to enable the recruitment of the best people including those who need to relocate.

What about an internal appointment?

In the case of an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, and adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

What are the Executive Directors' terms of employment?**What are their notice periods?**

The Executive Directors have entered into service agreements with an indefinite term that may be terminated by either party on six months' written notice. Contracts for new appointments will be terminable by either party on a maximum of 12 months' written notice.

An Executive Director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract.

The Group may suspend the Executive Directors or put them on a period of garden leave during which they will be entitled to salary, benefits and pension.

What payments will an Executive Director receive when they leave the Group?

If the employment of an Executive Director is terminated in other circumstances, compensation is limited to base salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the period. The Group may choose to continue providing some benefits instead of paying a cash sum representing their cost.

Any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice and provision of outplacement services) would be paid as necessary.

There will be no automatic entitlement to a bonus if an Executive Director has ceased employment or is under notice on the last day of the financial year. However, the Committee may in its discretion pay a pro-rated bonus in respect of the proportion of the financial year worked. Such payment would be payable in cash and not subject to deferral.

Executive Directors' service contracts are available for inspection at the Group's registered office during normal business hours and will be available for inspection at the AGM.

How are outstanding share awards treated when an Executive Director leaves the Group?

Any share-based entitlements granted to an Executive Director under the Group's share plans will be treated in accordance with the relevant plan rules. Usually, any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, injury, disability, redundancy, retirement with the consent of the Committee, the sale of the entity that employs him/her out of the Group, or any other circumstances at the discretion of the Committee, "good leaver" status may be applied.

Directors' remuneration report continued

For good leavers under the LTIP, outstanding awards will vest at the original vesting date to the extent that the performance condition has been satisfied, and be reduced on a pro rata basis to reflect the period of time which has elapsed between the grant date and the date on which the participant ceases to be employed by the Group. The Committee retains the discretion to vest awards (and measure performance accordingly) on cessation and disapply time pro-rating, however, it is envisaged that this would only be applied in exceptional circumstances. For good leavers under the DSBP, unvested awards will usually vest in full upon cessation.

In determining whether a departing Executive Director should be treated as a "good leaver", the Committee will take into account the performance of the individual and the reasons for their departure.

What happens to their outstanding share awards if there is a takeover or other corporate event?

The treatment of outstanding awards on a takeover (or other corporate event such as a demerger, delisting, special dividend or other event which, in the opinion of the Committee, may affect the current or future value of shares) mirrors that set out above in relation to a good leaver (albeit with the vesting period automatically ending on the date of the relevant event).

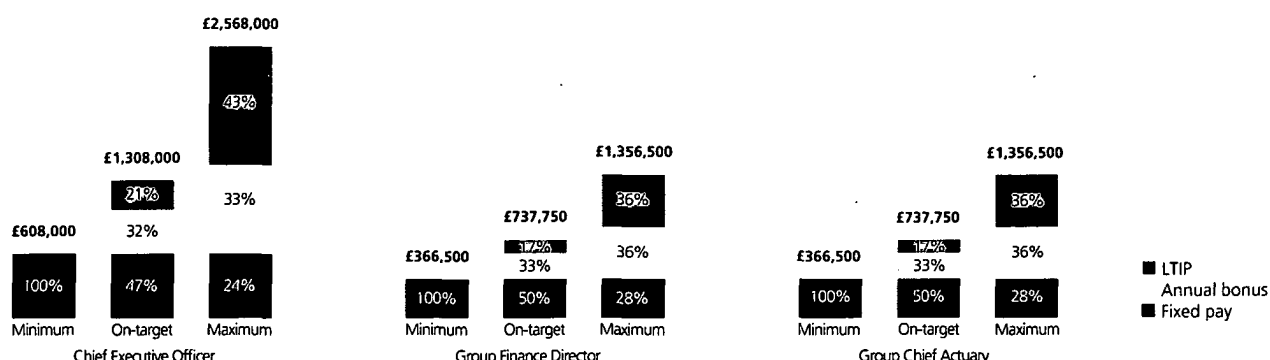
Alternatively, the Committee may permit or, in the case of an internal reorganisation or if the Board so determines, require both LTIP and DSBP awards to be exchanged for equivalent awards which relate to shares in a different company.

Are the Executive Directors allowed to hold external appointments?

Executive Directors are permitted to accept one external appointment with the prior approval of the Chairman and where there is no impact on their role with the Group. The Board will determine on a case-by-case basis whether the Executive Directors will be permitted to retain any fees arising from such appointments, details of which will be provided in the Annual Report on Remuneration.

How much could an Executive Director earn under the remuneration policy?

Under the Directors' Remuneration Policy, a significant proportion of total remuneration is linked to Group performance. The following charts illustrate how the Executive Directors' total pay package varies under three different performance scenarios: fixed pay only, on-target and at maximum. These charts are indicative as share price movement and dividend accrual have been excluded. All assumptions made are noted below the chart.



Assumptions:

- Minimum = fixed pay only (salary + benefits allowance)
- On-target = fixed pay plus 50% payout of the maximum STIP opportunity and 25% of maximum LTIP award
- Maximum = fixed pay plus 100% or maximum payout of the STIP and LTIP awards

Awards under the LTIP can be up to 250% of base salary, however, it is intended that future awards (including those made in 2014/15) will normally represent a maximum of 200% of base salary for the CEO and 150% of base salary for the other Executive Directors and as such these figures have been used in the charts above.

The Executive Directors can participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts.

How are the Non-executive Directors paid?

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
Non-executive Director fees	To attract and retain a high-calibre Chairman and Non-executive Directors by offering market-competitive fee levels.	The Chairman is paid a single fixed fee. The Non-executives are paid a basic fee. The Chairmen of the main Board committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Reviewed periodically by the Committee and Chief Executive for the Chairman and by the Chairman and Executive Directors for the Non-executive Directors. Set taking into consideration market levels in comparably sized FTSE companies, the time commitment and responsibilities of the role, and to reflect the experience and expertise required. The Chairman and the Non-executive Directors are entitled to reimbursement of reasonable expenses. They may also receive limited travel or accommodation related benefits in connection with their role as a Director. The Non-executive Directors will not participate in the Group's share, bonus or pension schemes.	The Company's Articles of Association place a limit on the aggregate fees of the Non-executive Directors of £1m per annum. The Committee is guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility, and/or time commitments. Current fee levels are disclosed in the Annual Report on Remuneration.

What would a new Chairman or Non-executive Director be paid?

For a new Chairman or Non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

What are the terms of appointment for the Chairman and Non-executive Directors?

All Non-executive Directors have letters of appointment with the Group for an initial period of three years subject to annual re-election by the Group at a general meeting.

The Chairman's appointment may be terminated by either party with six months' notice. It may also be terminated at any time if he is removed as a Director by resolution at a general meeting or pursuant to the Articles, provided that in such circumstances the Group will (except where the removal is by reason of his misconduct) pay the Chairman an amount in lieu of his fees for the unexpired portion of his notice period.

The appointment of each Non-executive Director may be terminated at any time with immediate effect if he/she is removed as a Director by resolution at a general meeting or pursuant to the Articles. The Non-executive Directors (other than the Chairman) are not entitled to receive any compensation on termination of their appointment.

Directors' letters of appointment are available for inspection at the registered office of the Group during normal business hours and will be available for inspection at the AGM.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report sets out a summary of how the Directors' Remuneration Policy was applied over the financial year ending 30 June 2014 and will be subject to an advisory vote at the AGM. Details of the remuneration earned by Executive and Non-executive Directors and the outcomes of the incentive schemes, together with the link to Group performance, are provided in this section.

Various disclosures of the detailed information about the Directors' remuneration set out below have been audited by the Group's independent auditor, KPMG Audit Plc.

What did the Directors earn in relation to the 2013/14 financial year and for 2012/13 before that? (Audited)

The following tables report the total remuneration receivable in respect of qualifying services by each Director during the year and previous year:

£'000		Salary and fees	Benefits ⁴	STIP ⁶	LTIP ⁷	Employer pension contribution ⁵	Other ⁸	Total
Executive								
Rodney Cook	2013/14	560	104	532	–	–	–	1,196
	2012/13	435	16	562	–	39	–	1,052
Simon Thomas	2013/14	330	70	301	–	–	–	701
	2012/13	250	20	201	–	23	–	494
Shayne Deighton	2013/14	330	70	281	–	–	–	681
	2012/13	295	18	223	–	27	–	563
Non-executive								
Tom Cross Brown	2013/14	152	–	–	–	–	–	152
	2012/13	95	–	–	–	–	–	95
Les Owen	2013/14	65	–	–	–	–	–	65
	2012/13	60	–	–	–	–	–	60
James Fraser	2013/14	–	–	–	–	–	–	–
	2012/13	–	–	–	–	–	–	–
Keith Nicholson ¹	2013/14	61	–	–	–	–	–	61
	2012/13	–	–	–	–	–	–	–
Kate Avery ²	2013/14	61	–	–	–	–	–	61
	2012/13	–	–	–	–	–	–	–
Michael Deakin ³	2013/14	11	–	–	–	–	–	11
	2012/13	–	–	–	–	–	–	–

1 Keith Nicholson was appointed as a Non-executive Director on 9 October 2013.

2 Kate Avery was appointed as a Non-executive Director on 9 October 2013.

3 Michael Deakin was appointed as a Non-executive Director on 30 April 2014.

4 A benefits allowance was introduced in July 2013 to cover pension, car, private medical insurance, and any other flexible benefits as made available by the Group from time to time.

5 Overall 9% of salary (increase from 8% to 9% on 1 July 2012 and to 10% from January 2013) 2012/13. Benefit allowance for Executive Directors commenced in July 2013.

6 For 2013/14, one-third of these bonus payments have been deferred into awards over shares under the DSBP and will vest after three years.

7 The first awards under the LTIP were made in the year and the values on vesting will be reported in the 2015/16 Annual Report on Remuneration.

8 Other includes the value of SAYE and SIP awards that vest after 3 or 5 years for SAYE, and 3 years for SIP.

9 Messrs. Armstrong and Pedoni served as Directors from 13 June 2013 to 1 August 2013 and received no remuneration.

How was the STIP payment linked to performance for 2013/14? (Audited)

For 2013/14, the performance targets set for the STIP were based two-thirds on corporate financial performance measures and one-third on personal non-financial performance measures. The target range is considered by the Board to be commercially sensitive information and has not been disclosed. The Committee will review whether these are capable of disclosure prior to publication of next year's Directors' Remuneration Report.

The corporate financial measures were i) pre-tax operating profit for which the Committee awarded 12.5% of salary out of a maximum opportunity of 50% and ii) New Business Value for which the Committee awarded 37.5% of salary out of a maximum opportunity of 50%. These awards apply equally to each of the three Executive Directors.

The personal non-financial measures are set out in the table below for each Executive Director together with the Committee's ratings and final award as a percentage of salary against a maximum opportunity of 50%.

Rodney Cook		Simon Thomas		Shayne Deighton	
Provide leadership consistent with JRG values; Lead and personally contribute to IPO; Lead investor, media and analysts' education and briefings	SEE	Lead the development, reporting and presentation of results to the market. Represent the business to potential investors in the IPO	SEE	Deliver all relevant financial data, assumptions and projections for the IPO and market reporting	SEE
Maintain a successful ongoing relationship with regulators. Ensure risk management approach is embedded. Ensure progress towards Solvency II requirements	EE	Develop the Group's capital management and investment strategies	SEE	Support Solvency II delivery through technical input and delivery of numerical results; maintain capital projections; extend reinsurance capacity	EE
Support talent management and succession planning to deliver the challenging change agenda and best position the Company for growth	SEE	Develop and build strong relationships with key investors and investment managers. Ensure appropriate management of expectations	SEE	Contribute to new propositions; lead development of Prognosys™ underwriting capability	SEE
Deliver new product and partner developments as part of the business strategy	SEE	Continue to develop a talented and engaged workforce, to deliver challenging performance objectives	EE	Continue to develop a talented and engaged workforce, to deliver challenging performance objectives	EE
Total % of salary from maximum opportunity of 50%	45%		41.25%		35%

Ratings:

Below expectation (BE); Meets expectations (ME); Exceeds expectations (EE); Significantly exceeds expectations (SEE)

As a result, the Committee determined that in respect of the year to 30 June 2014, the resulting STIP awards were as follows:

	Maximum Opportunity % salary	Actual % of salary	Total awarded	Cash	Shares
Rodney Cook	150%	95%	£532,000	£354,667	£177,333
Simon Thomas	150%	91.25%	£301,125	£200,750	£100,375
Shayne Deighton	150%	85%	£280,500	£187,000	£93,500

Shares awarded under the DSBP will vest after three years subject to continued service.

How was the vesting of LTIP awards linked to performance in 2013/14? (Audited)

As the first awards under the LTIP were granted during the year, there were no awards for which the performance period ended during 2013/14.

What LTIP awards were granted in 2013/14? (Audited)

On 15 November 2013, the following LTIP awards were granted to Executive Directors:

	Type of award	Maximum possible award	Number of shares ¹	Face value ¹	Threshold vesting ²	End of performance period ²
Rodney Cook	nil-cost options	200% of £560,000	497,777	£1,120,000	22.5%	30 June 2016
Simon Thomas	nil-cost options	150% of £330,000	220,000	£495,000	22.5%	30 June 2016
Shayne Deighton	nil-cost options	150% of £330,000	220,000	£495,000	22.5%	30 June 2016

¹ Awards were granted at a share price of 225p being the offer price on flotation.

² Half of the initial LTIP awards will be subject to growth in the Group's IFRS operating profit over three financial years. If IFRS operating profit for the financial year ending June 2016 exceeds operating profit for the financial year ending June 2013 by 29.5% (equivalent to 9% p.a. cumulative growth), 20% of the award will vest. The award will vest in full for growth of 64.3% (equivalent to 18% p.a. cumulative growth) with payment on a sliding scale in between these points. No award would be made if growth is below 29.5%. The operating profit will be subject to any adjustments as determined by the Committee.

Half of the initial LTIP awards will be subject to TSR performance relative to the constituent companies of the FTSE 250 Index (excluding investment trusts, mining companies and oil and gas producers) over the performance period from Admission to 30 June 2016, where the initial TSR shall be determined by reference to the Offer Price. Vesting of 25% of the award will occur for median performance and the award will vest in full for upper quintile performance or above, with straight line vesting in between these points. No awards will vest if TSR is below the median.

Directors' remuneration report continued

Were any payments made to past Directors during 2013/14? (Audited)

There were no payments made to any past Directors during the year.

Were any payments for loss of office made during 2013/14? (Audited)

There were no loss of office payments made during the year.

What are the Directors' shareholdings and is there a guideline? (Audited)

To align the interests of the Executive Directors with shareholders, each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary for the CEO and 100% for the other Executive Directors. Until the guideline is met, Executive Directors are required to retain 50% of any LTIP and DSBP JRG share awards that vest (or are exercised), net of tax.

The Board's guideline for investment in shares of the Company by each of the Chairman and the Non-executive Directors is set at an amount equal to their annual fee, to be invested within two years of Admission on 15 November 2013 or, if later, within two years of their date of appointment.

Details of the Directors' interests in shares are shown in the table below.

Director	Beneficially owned shares at 30 June 2014	Shareholding guideline achieved	Beneficially owned shares at 17 September 2014	Outstanding awards			
				LTIP	DSBP	SAYE	SIP
Rodney Cook	2,707,374	Yes	2,707,374	497,777	–	14,876	1,538
Simon Thomas ¹	1,029,040	Yes	1,029,040	220,000	–	14,876	1,538
Shayne Deighton	1,157,433	Yes	1,157,433	220,000	–	24,793	1,538
Tom Cross Brown	655,054	n/a	655,054	–	–	–	–
Les Owen	311,679	Yes	311,679	–	–	–	–
James Fraser	–	n/a	–	–	–	–	–
Keith Nicholson ²	28,084	Yes	28,084	–	–	–	–
Kate Avery ³	44,444	Yes	44,444	–	–	–	–
Michael Deakin ⁴	–	n/a	–	–	–	–	–
Total	5,933,108		5,933,108	937,777	–	54,545	4,614

¹ As an eligible employee, the spouse of Simon Thomas holds 923 shares under the Company's Share Incentive Plan and holds an option over 4,462 Ordinary Shares under the Company's Sharesave scheme.

² Keith Nicholson was appointed as a Non-executive Director on 9 October 2013.

³ Kate Avery was appointed as a Non-executive Director on 9 October 2013.

⁴ Michael Deakin was appointed as a Non-executive Director on 30 April 2014.

What are the Directors' outstanding incentive scheme interests? (Audited)

The tables below summarises the outstanding awards made to the Executive Directors:

Rodney Cook

Scheme	Interests at 30 June 2013	Granted in year	Lapsed in year	Exercised in year	Interests at 30 June 2014	Date of grant ¹	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP	–	497,777	–	–	497,777	15 Nov 2013	2.25	30 Jun 2016	15 Nov 2016	15 Nov 2023
DSBP	–	–	–	–	–	–	–	–	–	–
SAYE	–	14,876	–	–	14,876	12 May 2014	1.21	n/a	1 Jun 2017	1 Dec 2017
SIP	–	1,538	–	–	1,538	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

Simon Thomas

Scheme	Interests at 30 June 2013	Granted in year	Lapsed in year	Exercised in year	Interests at 30 June 2014	Date of grant ¹	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP	–	220,000	–	–	220,000	15 Nov 2013	2.25	30 Jun 2016	15 Nov 2016	15 Nov 2023
DSBP	–	–	–	–	–	–	–	–	–	–
SAYE	–	14,876	–	–	14,876	12 May 2014	1.21	n/a	1 Jun 2017	1 Dec 2017
SIP	–	1,538	–	–	1,538	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

Shayne Deighton

Scheme	Interests at 30 June 2013	Granted in year	Lapsed in year	Exercised in year	Interests at 30 June 2014	Date of grant ¹	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP	–	220,000	–	–	220,000	15 Nov 2013	2.25	30 Jun 2016	15 Nov 2016	15 Nov 2023
DSBP	–	–	–	–	–	–	–	–	–	–
SAYE	–	24,793	–	–	24,793	12 May 2014	1.21	n/a	1 Jun 2019	1 Dec 2019
SIP	–	1,538	–	–	1,538	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

¹ Vesting of the LTIP awards made in November 2013 is based half on IFRS operating profit growth and half on relative TSR performance as described earlier in this report.

The closing share price of the Group's ordinary shares at 30 June 2014 was £1.464 and the closing price range from admission to the year end was £1.345 to £2.720.

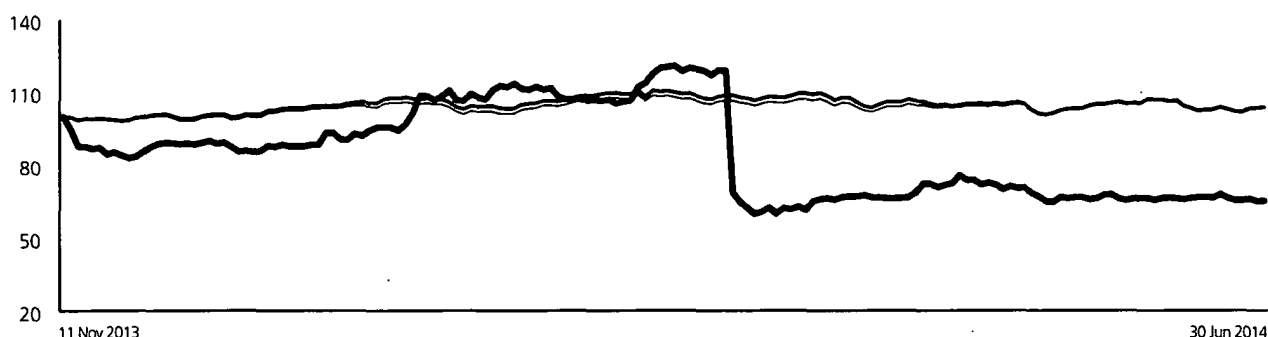
Any ordinary shares required to fulfil entitlements under the LTIP, DSBP, SAYE and SIP are provided by the Group's employee benefit trust ("EBT"). As beneficiaries under the EBT, the Executive Directors are deemed to be interested in the Ordinary Shares held by the EBT which, at 30 June 2014, amounted to 831,070. Assuming that all awards made under the Group's share plans vest in full, the Group has utilised 14.5% of the 10% in 10 years and 12% of the 5% in 5 years dilution limits.

What are the details of the Directors' service contracts and letters of appointment?

Director	Contract/letter of appointment effective date	Unexpired term of contract at 30 June 2014
Rodney Cook	15 November 2013	Rolling contract
Simon Thomas	15 November 2013	Rolling contract
Shayne Deighton	15 November 2013	Rolling contract
Tom Cross Brown	1 August 2013	2 years 1 month
Les Owen	1 August 2013	2 years 1 month
James Fraser	1 August 2013	2 years 1 month
Keith Nicholson	9 October 2013	2 years 3 months
Kate Avery	9 October 2013	2 years 3 months
Michael Deakin	30 April 2014	2 years 10 months

How does the Group's share performance compare to the FTSE 250 Index?

This graph shows a comparison of the Group's total shareholder return (share price growth plus dividends paid) with that of the FTSE 250 Index (excluding investment trusts, mining companies, and oil and gas producers). The Group has selected this index as it comprises companies of a comparable size and complexity and provides a good indication of the Group's relative performance.



This graph shows the value, by 30 June 2014, of £100 invested in Just Retirement Group plc on 11 November 2013, compared with the value of £100 invested in the FTSE 250 Index or the FTSE 250 Index excluding investment trusts, mining companies and oil and gas producers.

— Just Retirement Group — FTSE 250 — FTSE 250 Index (excluding investment trusts, mining companies and oil and gas)

Directors' remuneration report continued

How does the CEO's pay compare to past performance?

The total remuneration of the CEO over the last three years is shown in the table below.

	Year ending 30 June		
	2012	2013	2014
Total remuneration (£'000)	712	1,052	1,196
STIP (as a % of maximum opportunity)	58%	86%	63%
LTIP vesting (as a % of maximum opportunity)	n/a	n/a	n/a

How does the change in the CEO's pay compare to that for Just Retirement Group employees?

The table below shows the percentage change in each of the CEO's salary, taxable benefits and STIP earned between 2012/13 and 2013/14, compared to that for the average employee of the Group (on a per capita basis). The Chief Executive's salary was increased on IPO (along with those of a number of other employees) to reflect the increased responsibilities of the role following listing.

	Rodney Cook, CEO			Average Employee		
	2013/14	2012/13	% change	2013/14	2012/13	% change
Salary	£560,000	£435,000	29	£43,000	£43,000	–
Benefits ¹	£104,000	£55,000	89	£9,000	£9,000	–
Bonus	£532,000	£562,000	(5)	£9,000	£8,000	13

¹ From July 2013 a benefits allowance is payable to cover pension, car, private medical insurance, and any other flexible benefits as made available by the Group from time to time. Benefits as shown in the table above for 2012/13 includes employer pension contributions so as to present benefits information on a more consistent basis with 2013/14. Of the £49k overall increase in the cost of benefits, £19k was as a result of the salary increase at the time of IPO and £30k as a result of the change in benefits and pension provision.

How much does the Just Retirement Group spend on pay?

The Group's actual spend on pay for all employees in 2013 was £51.7m, and in 2014 was £61.2m, a change of 18.4%. There were no dividends or ordinary share buy backs in the period.

Who is in the Remuneration Committee?

The Committee is made up exclusively of independent Non-executive Directors. The Committee is chaired by Kate Avery and its other members are Tom Cross Brown, Keith Nicholson and Les Owen.

What advice did the Committee receive?

New Bridge Street, ("NBS"), a trading name of Aon Hewitt Ltd, part of Aon plc, is retained as the independent adviser to the Remuneration Committee. NBS has no other connection with the Group and provides no other services to the Group. The Committee was also advised by Freshfields Bruckhaus Deringer LLP ("Freshfields") on the set up of the Group's share plans.

NBS have been appointed by the Committee to provide advice and information. NBS is a signatory to the Remuneration Consultants' Code of Conduct which requires that its advice be objective and impartial. The Committee will review annually the performance and independence of its advisers.

The total fees paid to NBS for providing advice and information related to remuneration and employee share plans to the Committee during the year were £57,448. The fees charged are predominantly charged on a "time spent" basis.

The Chief Executive (Rodney Cook) and other senior management (Anne Ridge, Group HR Director, and Alex Duncan Chief Risk Officer) were invited to attend meetings as the Committee considered appropriate, but did not take part in discussions directly regarding their own remuneration.

The Committee's terms of reference are available on the Group's website or are available in hard copy on request from the Group Company Secretary.

How will the Director's Remuneration Policy be used in the 2014/15 financial year?

What are the current base salaries?

There was no increase to the base salaries of Executive Directors at 1 July 2014, and benefit allowances were temporarily reduced by 10% of the base salary for the year 2014/15 financial year, as detailed in the table below:

	1 July 2014		1 July 2013	
	Base salary	Benefit allowance	Base salary	Benefit allowance
Rodney Cook	£560,000	£48,000	£560,000	£104,000
Simon Thomas	£330,000	£36,500	£330,000	£69,500
Shayne Deighton	£330,000	£36,500	£330,000	£69,500

How will the STIP operate in 2014/15?

No changes are proposed for 2014/15.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. An explanation of bonus payouts and performance achieved will be provided in next year's Annual Report on Remuneration.

How will the LTIP operate in 2014/15?

The award levels under the LTIP for the 2014/15 financial year remain 200% of base salary for the CEO and 150% of base salary for the other Executive Directors.

The awards made in 2014/15 will be subject to the following performance conditions, measured over the three financial years to 30 June 2017:

- **IFRS Operating Profit Growth (50% of award)**

Since the impact of the 2014 Budget has created a year of discontinuity in the Group's growth plans and great uncertainty in the UK annuity market, the Committee considers it appropriate to base its target on growth in the two years following the Group's actual profit achieved in 2014/15. If our IFRS operating profit for the financial year ending 30 June 2017 exceeds operating profit for the financial year ending 30 June 2015 by 18.8% (equivalent to 9% p.a. cumulative growth), 25% of the award will vest. The award will vest in full for growth of 39.2% (equivalent to 18% p.a. cumulative growth) with payment on a sliding scale in between these points. No award would be made if cumulative growth is below 18.8% or if actual profit at 30 June 2017 is less than £80m. In setting the level of the underpin that profits in 2016/17 should be £80m for any of the award to vest, the Committee had regard, *inter alia*, to the increase in the threshold vesting percentage from 20% to 25%.

- **Relative TSR (50% of award)**

TSR performance will be relative to the constituent companies of the FTSE 250 Index (excluding investment trusts, mining companies and oil and gas producers). Vesting of 25% of these awards will occur for median performance and the maximum 100% will vest for upper quintile performance or above, with straight-line vesting between these points. None of these awards will vest if TSR is below the median.

What are the current Non-executive Board fees?

	2014/15	2013/14	% decrease ¹
Board Chairman	£162,000	£180,000	(10)%
Basic fee	£54,000	£60,000	(10)%
Additional fee for Senior Independent Director	£9,000	£10,000	(10)%
Additional fee for Committee Chairman	£9,000	£10,000	(10)%

¹ The Non-executive Directors offered and agreed to temporarily reduce their fee by 10% for the fiscal year 2014/15.

Approval

This report was approved by the Board of Directors on 17 September 2014 and signed on its behalf by:

Kate Avery

Chairman of the Remuneration Committee

17 September 2014

Diversified products

We continue to hold leading positions in the markets we serve. We are an innovative company with strong intellectual property and a track record of positively disrupting markets by introducing new propositions that deliver improved outcomes for our customers.

Independent Auditor's report

To the members of Just Retirement Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Just Retirement Group plc for the year ended 30 June 2014, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the Parent Company balance sheet and the related notes.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as follows:

Insurance liabilities (£6,483.6m)

Refer to page 51 (Audit Committee Report), pages 82 and 83 (accounting policy) and the disclosures in note 22 to the financial statements.

The risk:

The Group has significant insurance liabilities representing 61.8% of the Group's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. The valuation of the insurance liabilities in relation to the individually underwritten annuity business requires the exercise of significant judgement in the setting of mortality, expense and credit risk assumptions, where a small change can have a significant impact on the reported balance. The mortality assumptions of the Group are derived from the base tables set out in note 22 adjusted to reflect the Group's expected future mortality experience of the annuitants, based on the medical and lifestyle evidence collected during the underwriting process and the Group's assessment of how this experience will develop in the future. Economic assumptions, such as investment return and associated discount rates, and operating assumptions including expenses, are other key inputs used to estimate these long-term liabilities. The significant judgements and assumptions are input into complex calculations which are used to determine the total settlement value of long-term policyholder liabilities.

Our response:

Our procedures in this area included, amongst others, testing the design, implementation and operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of the long-term policyholder liabilities and the appropriateness of the assumptions used. We involved our own internal actuarial specialists to assist us in our challenge of the assumptions. Procedures performed included those set out below:

- Evaluating the appropriateness of the base tables and mortality assumptions used in the valuation of the annuity liabilities by reference to company and industry data on historical mortality experience and mortality improvement rates;
- Assessing the credit risk assumptions when determining the liquidity premium applied to the discount rate and appropriateness of management's methodology and assumptions by reference to industry practice and our expectation derived from market experience;
- Assessing the annuity expense assumptions taking into consideration the Group's historical experience, industry data and the estimated impact of future and recently announced legislation; and
- Recalculating a sample of individual policyholder liabilities at the balance sheet date using our own models to assess the accuracy of management's calculation and appropriateness with reference to standard industry methods.

Other key audit procedures included assessing the Group's methodology for calculating the insurance liabilities against industry practice and their analysis of the movements in insurance liabilities during the year, including considering whether those movements are in line with the assumptions adopted by the Group, our understanding of developments in the business and our expectation derived from market experience.

We considered the Group's disclosures in relation to the assumptions used in the calculation of insurance liabilities, in particular the sensitivities of these assumptions to alternative scenarios and inputs.

Reinsurance assets (£3,616.3m) and liabilities (£3,464.0m)

Refer to page 51 (Audit Committee Report), page 83 (accounting policy) and the disclosures in notes 22 and 25 to the financial statements.

The risk:

Reinsurance assets represent 31.9% of the Group's total assets. Reinsurance deposit liabilities represent 33.0% of the Group's total liabilities. Both the reinsurance asset and deposit liability calculation method are set out in the reinsurance treaty and both balances are sensitive to movements in mortality assumptions, economic assumptions and credit quality of reinsurers. The calculation of these balances is complex and involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. As part of the reinsurance arrangements, the Group has the option to recapture the reinsurance in accordance with the reinsurance treaty. There is an increased risk of material error in the accounting treatment due to the complexities of the recapture process and non-recurring nature of the transaction.

Our response:

Our procedures in this area included, amongst others, testing the design, implementation and operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of reinsurance assets and deposit liabilities and the appropriateness of the assumptions used. We involved our own internal actuarial specialists to assist us in our challenge of the assumptions and our procedures included those below:

- Evaluating the appropriateness of the mortality assumptions used in the valuation with reference to the basis used for policyholder liabilities and the terms of the reinsurance treaty;
- Assessing the Group's methodology and calculation of reinsurers' credit risk with reference to industry practice and historical default rates;
- Assessing the Group's calculation of the balances in respect of any recapture transactions during the period and obtaining counterparty confirmations for the transactions;
- Considering and comparing calculations prepared by the Group against the calculation basis set out in the reinsurance treaty and industry practice. We obtained reinsurance confirmations from the reinsurers for these balances at the balance sheet date;
- Assessing assets recognised through differences in calculation bases between the gross liabilities and reinsurance balances for recoverability and appropriateness against the terms of the reinsurance contract and the margins in the gross liabilities; and
- We also consider the Group's analysis of the movements in reinsurance assets and deposit liabilities in relation to the movements in policyholder liabilities, our understanding of developments in the business and our expectation derived from market experience.

We considered the Group's disclosures in relation to the assumptions used in the calculation of reinsurance balances, in particular the sensitivities of these assumptions to alternative scenarios and inputs.

Loans secured by mortgages (£2,749.4m)

Refer to page 51 (Audit Committee Report), page 82 (accounting policy) and the disclosures in note 15 to the financial statements.

The risk:

The Group's investment in loans secured by mortgages represents 24.2% of the Group's total assets. There is significant judgement in respect of the valuation of the loans secured by mortgages, which represent 36.7% of total financial assets. The mortgages are carried at fair value based on a mark to model valuation basis using economic assumptions including property price growth, price volatility, mortality and swap rates. Unobservable inputs used in the models include voluntary redemption rates, mortality rates and maintenance expenses.

Our response:

For the mortgage assets we used our own actuarial specialists to assist us in performing our audit procedures in this area, which included, amongst others:

- Critically assessing whether the valuation process is appropriately designed and captures relevant valuation inputs by testing the completeness and accuracy of the information extracted from policyholder systems;
- Testing the design, implementation and operating effectiveness of controls over the origination process and ownership of title deeds; and
- Assessing pricing model methodologies and assumptions used within the valuation process against industry practice and valuation guidelines.

We also assess the Group's disclosures in relation to the valuation of loans secured by mortgages, in particular the sensitivity of the valuations adopted to alternative outcomes.

Independent Auditor's Report

continued

To the members of Just Retirement Group plc only

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £6m. This has been determined with reference to a benchmark of Group net assets (of which it represents 0.7%), which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the Group Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with an individual value in excess of £300,000 in addition to other audit misstatements below that threshold which we believe warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it were a single aggregated set of financial information. The audit was performed using the materiality levels set out above and covered 100% of total Group revenue, Group profit before taxation, and total Group assets.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- The Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

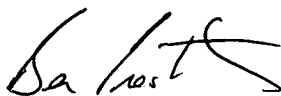
Under the Listing Rules we are required to review:

- The Directors' Statement, set out on page 42, in relation to going concern; and
- The part of the Corporate Governance Statement on page 40 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Statement of Directors' responsibilities set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
17 September 2014

Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Note	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Revenue			
Gross premiums written		1,200.5	1,265.1
Reinsurance premiums ceded		(485.3)	(666.2)
Reinsurance recapture		263.1	116.8
Net premium revenue		978.3	715.7
Net investment income	2	456.9	249.5
Total revenue		1,435.2	965.2
Other operating income		6.9	5.6
Expenses			
Claims incurred			
Claims paid			
Gross amount		(439.6)	(370.4)
Reinsurers' share		233.0	221.3
		(206.6)	(149.1)
Change in insurance liabilities			
Gross amount		(993.3)	(863.6)
Reinsurers' share		402.6	512.4
Reinsurance recapture		(263.1)	(115.4)
		(853.8)	(466.6)
Change in investment contract liabilities		(2.4)	5.2
Acquisition costs	3	(31.1)	(39.5)
Other operating expenses	4	(126.8)	(114.2)
Finance costs	5	(128.6)	(128.3)
Total claims and expenses		(1,349.3)	(892.5)
Profit before tax	6	92.8	78.3
Income tax	7	(20.3)	(20.5)
Total comprehensive income for the period		72.5	57.8
Attributable to:			
Equity holders of Just Retirement Group plc		72.9	58.2
Non-controlling interest		(0.4)	(0.4)
Total comprehensive income for the period		72.5	57.8
Basic earnings per share (pence)	11	16.21	16.24
Diluted earnings per share (pence)	11	16.21	16.24

The notes on pages 77 to 114 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2014

Year ended 30 June 2014	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by Employee Benefit Trust £m	Accumulated profit £m	Shareholders' equity £m	Non-controlling interest £m	Total £m
Balance at 1 July 2013	21.6	–	63.6	–	66.1	151.3	(1.2)	150.1
Total comprehensive income for the period	–	–	–	–	72.9	72.9	(0.4)	72.5
Contributions and distributions								
Exchange of preference shares	3.6	–	45.1	–	32.1	80.8	–	80.8
Exchange of loans and loan notes	11.5	–	246.9	–	–	258.4	–	258.4
Shares issued for cash	13.3	286.7	–	–	–	300.0	–	300.0
Share issue costs ¹	–	(7.6)	(8.2)	–	2.8	(13.0)	–	(13.0)
Share-based payments	0.1	1.2	–	(0.1)	3.1	4.3	–	4.3
Capital reduction	–	(279.1)	–	–	279.1	–	–	–
Total contributions and distributions	28.5	1.2	283.8	(0.1)	317.1	630.5	–	630.5
Changes in ownership interests								
Acquisition of non-controlling interest	–	–	–	–	(1.9)	(1.9)	1.6	(0.3)
Total changes in ownership interests	–	–	–	–	(1.9)	(1.9)	1.6	(0.3)
Balance at 30 June 2014	50.1	1.2	347.4	(0.1)	454.2	852.8	–	852.8

¹ Total share issue costs incurred were £18.4m, consisting of £13.0m recognised directly in reserves in the current period, £2.3m recognised through profit and loss, and £3.1m recognised in the prior period, of which £2.8m has been transferred to the reorganisation reserve in the current period.

Year ended 30 June 2013	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by Employee Benefit Trust £m	Accumulated profit £m	Shareholders' equity £m	Non-controlling interest £m	Total £m
Balance at 1 July 2012	19.7	–	53.5	–	7.2	80.4	(0.8)	79.6
Total comprehensive income for the year	–	–	–	–	58.2	58.2	(0.4)	57.8
Contributions and distributions								
Issue of ordinary shares	1.9	–	10.1	–	–	12.0	–	12.0
Share-based payments	–	–	–	–	0.7	0.7	–	0.7
Total contributions and distributions	1.9	–	10.1	–	0.7	12.7	–	12.7
Balance at 30 June 2013	21.6	–	63.6	–	66.1	151.3	(1.2)	150.1

Consolidated statement of financial position

As at 30 June 2014

	Note	30 June 2014 £m	30 June 2013 £m
Assets			
Intangible assets	13	77.6	83.3
Equipment	14	1.0	1.6
Financial assets	15	7,490.0	6,044.7
Reinsurance assets	22	3,616.3	3,476.8
Deferred tax assets	16	12.7	12.7
Current tax assets	29	0.6	–
Prepayments and accrued income	17	91.4	84.4
Insurance and other receivables	18	5.0	18.1
Cash and cash equivalents	19	54.4	40.6
Total assets		11,349.0	9,762.2
Equity			
Share capital	21	50.1	21.6
Share premium	21	1.2	–
Reorganisation reserve	20	347.4	63.6
Shares held by Employee Benefit Trust		(0.1)	–
Accumulated profit		454.2	66.1
Equity attributable to owners of Just Retirement Group plc		852.8	151.3
Non-controlling interest		–	(1.2)
Total equity		852.8	150.1
Liabilities			
Insurance liabilities	22	6,483.6	5,490.3
Investment contract liabilities	23	197.4	130.4
Loans and borrowings	24	51.6	55.2
Other liabilities	25	3,653.6	3,705.4
Deferred tax liabilities	16	33.2	44.8
Other provisions	28	4.8	1.7
Current tax liabilities	29	20.1	7.9
Accruals and deferred income	30	16.4	16.8
Insurance and other payables	31	35.5	159.6
Total liabilities		10,496.2	9,612.1
Total equity and liabilities		11,349.0	9,762.2

The notes on pages 77 to 114 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17 September 2014 and were signed on its behalf by:



Simon Thomas
Director

Consolidated statement of cash flows

For the year ended 30 June 2014

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Cash flows from operating activities		
Profit before tax	92.8	78.3
Depreciation of equipment	0.9	1.1
Amortisation of intangible assets	4.9	7.7
Impairment of intangible assets	1.9	–
Share-based payments	4.3	0.7
Interest income	(205.6)	(175.1)
Interest expense	128.6	128.3
Increase in financial assets	(1,248.3)	(965.1)
Increase in reinsurance assets	(139.5)	(397.0)
Decrease in prepayments and accrued income	–	21.4
Decrease/(increase) in insurance and other receivables	13.1	(12.0)
Increase in insurance liabilities	993.3	863.6
Increase in investment contract liabilities	67.0	68.9
Increase in deposits received from reinsurers	150.7	369.8
(Decrease)/increase in accruals and deferred income	(0.4)	3.3
Decrease in insurance and other payables	(29.7)	(2.0)
Increase/(decrease) in other creditors	18.6	(3.6)
Interest received	198.6	161.1
Interest paid	(105.2)	(94.3)
Taxation paid	(19.9)	(14.0)
Net cash (outflow)/inflow from operating activities	(73.9)	41.1
Cash flows from investing activities		
Additions to internally generated intangible assets	(1.1)	(3.0)
Acquisition of equipment	(0.3)	(0.6)
Acquisition of non-controlling interest	(0.3)	–
Net cash outflow from investing activities	(1.7)	(3.6)
Cash flows from financing activities		
(Decrease)/increase in borrowings	(3.6)	80.5
Interest paid	(2.1)	(1.0)
Issue of ordinary and preference share capital (net of costs)	287.0	19.0
Net cash inflow from financing activities	281.3	98.5
Net increase in cash and cash equivalents	205.7	136.0
Cash and cash equivalents at start of period	189.9	53.9
Cash and cash equivalents at end of period	395.6	189.9
Cash available on demand	54.4	40.6
Units in liquidity funds	341.2	149.3
Cash and cash equivalents at end of period	395.6	189.9

Notes to the consolidated financial statements

1 Significant accounting policies

General information

Just Retirement 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.

On incorporation, the share capital of the Company was £2 divided into 20 ordinary shares of 10 pence each. During the year to 30 June 2014, the Company acquired a 100% shareholding in Just Retirement Group Holdings Limited ("JRGHL") as part of a reorganisation of the Group and successfully completed the issue of new ordinary shares to raise approximately £300m through a Premium Listing on the London Stock Exchange on 15 November 2013. Further details of these transactions are included in note 20.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union effective for accounting periods commencing on or before 1 July 2013 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements also comply with the revised Statement of Recommended Practice issued by the Association of British Insurers ("ABI SORP") in December 2005 (as amended in December 2006) insofar as these requirements do not contradict IFRS requirements.

The Group in its current structure was formed prior to admission on the London Stock Exchange when the Company acquired JRGHL. As described in note 20, the Group undertook a reorganisation during the year to insert a new holding company above the existing parent. Whilst the reorganisation did not meet the definition of a business combination, the Group has applied the principles of reverse acquisition accounting in IFRS 3 to account for the insertion of the new holding company. As a result, the financial statements are presented as a continuation of the JRGHL Group.

The Group has adopted the following new accounting standards, interpretations and amendments to existing standards as of 1 July 2013:

- IFRS 13, Fair value measurement (effective 1 January 2013) – the standard provides a single source of guidance on how fair value is measured. There is no effect on the values previously recorded in the financial statements. IFRS 13 also requires enhanced disclosures about fair value measurement which are set out in note 15;
- Amendments to IFRS 7, Offsetting financial assets and financial liabilities (effective 1 January 2013) – the amendments require disclosure about rights to offset financial instruments and related arrangements in order to provide users with information that is useful in evaluating the effect of netting arrangements on the Group's financial position. The amendments do not impact these financial statements; and
- Annual improvements 2011 (effective 1 January 2013) – include improvements to IFRS 1, First time adoption; IAS 1, Presentation of financial statements; IAS 16, Property, plant and equipment; IAS 32, Financial instruments – presentation; and IAS 34, Interim financial reporting. The improvements clarify existing guidance and have no impact on these financial statements.

The following amendments to existing standards in issue, but not yet effective, have been early adopted by the Group:

- Amendment to IAS 36, Impairment of assets, on recoverable amount disclosures (effective 1 January 2014) – the amendments clarify disclosure requirements in respect of the recoverable amount of impaired non-financial assets if the amount is based on fair value less costs to sell. These amendments have no significant impact on the Group's consolidated financial statements.

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

- IFRS 9, Financial instruments: classification and measurement (effective 1 January 2018, not yet endorsed).

IFRS 9 will replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if held to collect contractual cash flows and the cash flows represent principal and interest. For liabilities measured at fair value, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- IFRS 10, Consolidated financial statements (effective 1 January 2013, endorsed for annual periods commencing 1 January 2014).

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements.

- IFRS 11, Joint arrangements (effective 1 January 2013, endorsed for annual periods commencing 1 January 2014).

IFRS 11 defines and establishes accounting principles for joint arrangements, replacing IAS 31, Interests in joint ventures. The standard distinguishes between two types of joint arrangements – joint ventures and joint operations, based on how rights and obligations are shared by the parties to the arrangement.

- IFRS 12, Disclosures of interests in other entities (effective 1 January 2013, endorsed for annual periods commencing 1 January 2014).

IFRS 12 provides disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

- IFRS 14, Regulatory deferral accounts (effective 1 January 2016, not yet endorsed).

IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with previous GAAP requirements.

- IFRS 15, Revenue from contracts with customers (effective 1 January 2017, not yet endorsed).

IFRS 15 specifies how and when an entity recognises revenue, providing a single, principles-based model to be applied to all contracts with customers, whilst requiring more informative and relevant disclosures.

- Amendment to IAS 16, Property, plant and equipment, and IAS 38, Intangible assets, on depreciation and amortisation (effective 1 January 2016, not yet endorsed).

Amendments to clarify that the use of revenue-based methods to calculate the depreciation of an asset or amortisation of an intangible asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset or intangible asset.

- Amendment to IAS 19, Employee benefits (effective 1 July 2014, not yet endorsed).

Amendments to simplify the accounting for contributions that are independent of the number of years of employee service.

- IAS 27 (revised 2011), Separate financial statements (effective 1 January 2013, endorsed for annual periods commencing 1 January 2014).

Revision to remove the requirements superseded by IFRS 10.

- IAS 28 (revised 2011), Associates and joint ventures (effective 1 January 2013, endorsed for annual periods commencing 1 January 2014).

Revision to include the requirements for joint ventures to be equity-accounted following the issue of IFRS 11.

- Amendments to IAS 32, Financial instruments: presentation, on financial instruments asset and liability offsetting (effective 1 January 2014).

Amendments clarifying the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

- Amendment to IAS 39, Financial instruments: Recognition and measurement, on novation of derivatives and hedge accounting (effective 1 January 2014).

Amendments to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty.

- Annual improvements 2012 (effective 1 July 2014, not yet endorsed).

Improvements to IFRS 2, Share-based payment; IFRS 3, Business combinations; IFRS 8, Operating segments; IFRS 13, Fair value measurement; IAS 16, Property, plant and equipment; IAS 38, Intangible assets; and IAS 24, Related party disclosures.

- Annual improvements 2013 (effective 1 July 2014, not yet endorsed).

Improvements to IFRS 1, First time adoption; IFRS 3, Business combinations; IFRS 13, Fair value measurement; and IAS 40, Investment property.

- IFRIC 21, Levies (effective 1 January 2014).

New interpretation providing guidance on when to recognise a liability for a levy imposed by a government.

1 Significant accounting policies continued

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
1.11(a)	Classification of insurance and investment contracts	Assessment of significance of insurance risk transferred.
1.10(a), (b)	Financial assets and liabilities	Classification of financial assets and liabilities, 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.

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
1.11(b), 22(b), 23(b)	Measurement of insurance liabilities arising from writing annuity insurance contracts	The critical estimates used in measuring insurance liabilities include the projected future annuity payments and the cost of maintaining the reserves. The key assumptions are the discount rates and mortality experience used in the valuation of future annuity 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 mortality experience of the annuitants. Further detail can be found in note 22.
1.12, 22	Measurement of reinsurance assets 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 above, and assumptions around the reinsurer's ability to meet its claim obligations.
1.10(b), 15(d)	Measurement of fair value of loans secured by mortgages	The critical estimates used in valuing loans secured by mortgages include the projected future receipts of interest and loan repayments, future house prices, and the future costs of administering the loan portfolio. The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, and the rate of voluntary redemptions. Further details can be found in note 15(a).
1.8, 13	Measurement of fair value of PVIF and other intangible assets	The critical estimates used in the measurement of the present value of in-force business ("PVIF") and other intangibles relate to the projected future cash flows that will flow to the Group from such assets. The key assumptions used in such projections include valuation discount rates, mortality assumptions, house prices and future volatility, and voluntary redemption experience as detailed above, in addition to the expected useful economic lives of such assets.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.3 Consolidation principles

Subsidiaries are those entities in which the Group, directly or indirectly, has power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are excluded from consolidation from the date of disposal. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group is required to use 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 Group in its current structure was formed prior to admission on the London Stock Exchange when the Company acquired JRGL. As described in note 20, the Group undertook a reorganisation during the period to insert a new holding company above the existing parent. Whilst the reorganisation did not meet the definition of a business combination, the Group has applied the principles of reverse acquisition accounting in IFRS 3 to account for the insertion of a new holding company. As a result, these financial statements are presented as a continuation of the JRGL Group.

1.4 Operating profit

The Group reports operating profit as an alternative measure of profit which the Group uses for decision making and performance measurement. The operating profit represents a combination of both the profits generated from new business written in the period and profits expected to emerge from the in-force book of business, together with the actual operating experience where different from that assumed at the start of the period. In addition, operating profit includes the impacts of changes to future operating assumptions applied in the period.

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 unwind of prudent reserves above best estimates for mortality, corporate bond defaults and, with respect to lifetime mortgages, no-negative guarantee and early redemptions.

Operating profit excludes the impairment and amortisation of goodwill and other intangible assets, restructuring costs and other 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 are also disclosed outside operating profit.

1.5 Revenue recognition

(a) Premium revenue

Premium revenue in respect of single premium insurance contracts is accounted for when the premiums are received. Facilitated adviser charges, which have arisen since 1 January 2013 following the implementation of the Retail Distribution Review ("RDR"), are not accounted for within premium revenue, and do not represent a charge on the Group. Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due.

Reinsurance premiums previously incurred can be recaptured under certain conditions and the recapture can arise once reinsurance financing for an underwriting year is fully repaid.

(b) Investment income

Investment income consists of interest receivable for the year, realised gains and losses, 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 investments occur on the disposal or transfer of financial assets and represent the difference between the proceeds received, net of transaction costs, and the original cost.

Unrealised gains and losses arising on financial assets represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year.

(c) Other operating income

Other operating income, which consists of fee income for initial advances made on loans secured by mortgages, administration fees and commission, are recognised when receivable. In addition, operating income includes fees from software licensing which are recognised across the license period.

1.6 Expense recognition

(a) Claims paid

Annuity claims are recorded when each annuity instalment becomes due for payment. Reinsurance paid claim recoveries are accounted for in the same period as the related claim.

(b) Investment expenses and charges

Investment expenses, comprising fund managers' and transaction costs, are recognised on an accruals basis.

1 Significant accounting policies continued

1.6 Expense recognition continued

(c) Finance costs

Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred. Interest on loan notes is accrued in accordance with the terms of the loan note agreement.

(d) 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 as incurred.

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 income statement 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 income statement 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.

(e) Operating leases

Payments made under operating leases, net of any investments received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

1.7 Goodwill

Goodwill is the excess of the costs 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 not amortised, but assessed for impairment annually or when circumstances or events indicate there may be uncertainty over the carrying value. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill has been allocated to cash generating units and an impairment is recognised where the carrying value of the cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss and are not reversed.

1.8 Intangible assets

Intangible assets consist primarily of contractual relationships such as PVIF, distribution networks, brand, intellectual property and unique software products created and controlled by the Group. 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 recognised at cost less accumulated amortisation and any impairments. The intangible assets are amortised on a straight-line basis over their useful lives, which ranges from three 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 intangibles 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 intangibles 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	16 years	Estimated value in-force using IFRS European Embedded Value model
Brand	Five years	Estimated royalty stream if the rights were to be licensed
Distribution network	Three years	Estimated discounted cash flow
Software	Three years	Estimated replacement cost

Intangible assets acquired by the Group, including internal software development costs, are stated at cost less accumulated amortisation and impairment losses. 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 software development team's employee costs. All other costs associated with researching or maintaining computer software programs are recognised as an expense as incurred.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.9 Equipment

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

Computer equipment – four years
Furniture and fittings – two years

1.10 Financial assets and liabilities

(a) Classification

The Group classifies financial investments in accordance with IAS 39 whereby, subject to specific criteria, they are accounted for under one of the following categories:

Financial assets and liabilities at fair value through profit and loss – these comprise assets and liabilities designated by management as fair value through profit and loss on inception and derivatives that are held for trading. These investments are measured at fair value with all changes thereon being recognised in investment income in the income statement.

Deposits from reinsurers – deposits are measured and valued in accordance with the reinsurance contracts, which takes into account an appropriate discount rate for the timing of expected cash flows.

(b) 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 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 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 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).

(c) Derecognition of financial assets and liabilities

The Group's policy is to derecognise financial assets when it is deemed that substantially all the risks and rewards of ownership have been transferred. The Group derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

1.11 Insurance and investment contracts

(a) Classification of insurance and investment contracts

The measurement basis of assets and liabilities 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.

Fixed term annuity pension business is classified as an investment contract as there is no transfer of longevity risk due to the fixed term nature of the contract.

1 Significant accounting policies continued

1.11 Insurance and investment contracts continued

(b) Measurement of insurance liabilities

Insurance contracts

Long-term insurance liabilities arise from the Group accepting annuity contracts, including defined benefit de-risking solutions, and are measured by using estimates of projected future cash flows arising from annuity payments 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 income statement.

(c) Investment contracts

Investment contracts are measured at fair value through profit and loss in accordance with IAS 39, in line with the Group's accounting policy with respect to financial assets and liabilities. As such, investment contracts are valued using an internal model and determined on a policy-by-policy basis using a prospective valuation of future annuity benefit and expense cash flows, but with an adjustment to amortise any day-one gain over the life of the contract.

1.12 Reinsurance

(a) Reinsurance assets

Amounts recoverable from reinsurers are estimated in a consistent manner with insurance 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 income statement.

(b) Financial liabilities

Where reinsurance contracts entered into by the Group are structured to provide financing, with financing components to be repaid in future periods, such amounts are classified as "reinsurance finance" and included in 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 financial liabilities in the Consolidated statement of financial position. Deposits received from reinsurers are valued in accordance with the terms of the reinsurance contracts, which take into account an appropriate discount rate for the timing of expected cash flows.

(c) 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 or payable from/to the reinsurers are included in the appropriate heading under either receivable and other financial assets or insurance and other payables.

1.13 Segments

The Group's segmental results are analysed on a basis consistent with the way that the Chief Operating Decision Maker ("CODM") assesses the performance and allocation of resources. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

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 manufacture of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life company;
- The arranging of annuity contracts through a non-advised service, and providing intermediation, mortgage advice and arranging from a panel of lifetime mortgage products; and
- The provision of licensed software to financial advisers.

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 annuity contracts, providing intermediary mortgage advice and arranging, plus the provision of licensed software, is combined with the manufacturing of insurance products and reflected in the Group's insurance segment. Other Group activities, such as capital and liquidity management, and investment activities, are reported within corporate activities.

1.14 Borrowings

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

1.15 Share capital

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

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.16 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.

1.17 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 consolidated 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.

1.18 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 the income statement.

2 Net investment income

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Interest income:		
Assets at fair value through profit or loss	205.6	175.1
Movement in fair value:		
Financial assets designated on initial recognition	267.9	70.0
Financial derivative instruments	(16.6)	4.4
Total net investment income	456.9	249.5

3 Acquisition costs

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Commission	19.7	30.4
Other acquisition expenses	11.4	9.1
Total acquisition costs	31.1	39.5

4 Other operating expenses

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Personnel expenses (note 9)	61.2	51.7
Investment expenses and charges	3.3	2.9
Depreciation of equipment	0.9	1.1
Operating lease rentals: land and buildings	1.3	1.3
Restructuring costs ¹	5.4	–
Amortisation of intangible assets	4.9	7.7
Other costs	49.8	49.5
Total other operating expenses	126.8	114.2

¹ Restructuring costs include a charge for impairment of intangible assets of £1.9m.

4 Other operating expenses continued

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

Services provided by Group's auditor

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Fees payable for the audit of the Parent Company and consolidated accounts	40	35
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	282	260
Corporate finance services	1,359	213
Audit-related assurance services	75	75
Tax compliance services	–	51
Tax advisory services	16	9
Other assurance services	22	23
Auditor remuneration	1,794	666

5 Finance costs

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Interest payable on deposits received from reinsurers	105.2	94.3
Loan notes and preference shares interest	13.2	32.2
Other interest payable	10.2	1.8
Total finance costs	128.6	128.3

The terms of interest payable on loan notes and preference shares are described in note 25. The liabilities in relation to loan notes and preference shares were extinguished during the restructuring of the Group, prior to the IPO. The interest payable on deposits received from reinsurers is calculated by reference to the gross redemption yield on the asset portfolio.

6 Segmental reporting

A single reportable segment is disclosed separately as the insurance segment and comprises the activities of the following:

- The manufacture of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life company;
- The arranging of annuity contracts through a non-advised service, and providing intermediation, mortgage advising and arranging from a panel of lifetime mortgage products; and
- The provision of licensed software to financial advisers.

The reconciliation of the results of the operating segment for the income statement includes the results arising from the activities of the Group's management services and holding companies and eliminations on consolidation.

The Group operates in one geographical segment which is the UK.

Eliminations relate to intra-group transactions and balances.

Notes to the consolidated financial statements continued

6 Segmental reporting continued Segmental reporting and reconciliation to financial information

Year ended 30 June 2014 £m	Insurance	Corporate activities	Eliminations	Total
New business operating profit	53.1	–	–	53.1
In-force operating profit	42.9	0.7	–	43.6
Underlying operating profit	96.0	0.7	–	96.7
Operating experience and assumption changes	2.5	4.2	(9.5)	(2.8)
Reinsurance and financing costs	(20.5)	(2.4)	9.5	(13.4)
Operating profit before tax	78.0	2.5	–	80.5
Non-recurring and project expenditure	(6.2)	(0.8)	–	(7.0)
Restructuring costs	(4.6)	(0.8)	–	(5.4)
Investment and economic profits	44.1	–	–	44.1
Profit before corporate costs and before tax	111.3	0.9	–	112.2
Finance and other costs incurred by corporate companies	–	(17.1)	–	(17.1)
Listing costs	–	(2.3)	–	(2.3)
Profit/(loss) before tax	111.3	(18.5)	–	92.8

Year ended 30 June 2013 £m	Insurance	Corporate activities	Eliminations	Total
New business operating profit	58.9	–	–	58.9
In-force operating profit	41.1	–	–	41.1
Underlying operating profit	100.0	–	–	100.0
Operating experience and assumption changes	(11.1)	2.3	(3.0)	(11.8)
Reinsurance and financing costs	(10.7)	(1.5)	3.0	(9.2)
Operating profit before tax	78.2	0.8	–	79.0
Non-recurring and project expenditure	(5.9)	(0.6)	–	(6.5)
Investment and economic profits	47.4	1.5	–	48.9
Profit before corporate costs and before tax	119.7	1.7	–	121.4
Finance and other costs incurred by corporate companies	–	(40.0)	–	(40.0)
Listing costs	–	(3.1)	–	(3.1)
Profit/(loss) before tax	119.7	(41.4)	–	78.3

Finance and other costs incurred by corporate companies includes Group financing costs and the amortisation of acquired intangibles.

7 Income tax

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Current taxation		
Current year	31.5	21.7
Adjustments in respect of prior periods	0.4	–
Total current tax	31.9	21.7
Deferred taxation		
Origination and reversal of temporary differences	(7.2)	0.4
Adjustments for prior periods	–	(0.2)
Rate change	(4.4)	(1.4)
Total deferred tax	(11.6)	(1.2)
Total income tax	20.3	20.5

7 Income tax continued

Reconciliation of total income tax to the applicable tax rate:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Profit on ordinary activities before tax	92.8	78.3
Income tax at 22.5% (2013: 23.75%)	20.9	18.6
Effects of:		
Expenses not deductible for tax purposes	1.8	3.8
Transition adjustment	3.3	1.7
Temporary differences	(2.1)	(2.0)
Rate change	(4.4)	(1.4)
Unrecognised deferred tax asset	0.4	0.3
Losses utilised	–	(0.1)
Adjustments in respect of prior periods	0.4	(0.4)
Total income tax	20.3	20.5

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly.

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. From 1 January 2013, life insurance tax is 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 10-year period from 1 January 2013. The tax charge for the period to 30 June 2014 includes profits chargeable to corporation tax arising from this amortisation of £14.7m (2013: £7.4m).

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 respect of 2014 was £1.8m. Employer contributions to pensions for Executive Directors for qualifying periods were £nil. The aggregate net value of share awards granted to the Directors in the period was £2.5m. The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. During the year, no share options were exercised by Directors. With respect to the prior year, the Directors of JRGHL, who served during the year, were remunerated indirectly by Permira Funds other than the independent Non-executive Director whose remuneration of £60,000 was charged to Just Retirement (Holdings) Limited. The JRGHL Group also incurred £250,000 in respect of fees for the services of two Directors who served during the year and was payable to Permira LLP.

9 Staff numbers and costs

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

	Year ended 30 June 2014 Number	Year ended 30 June 2013 Number
Directors	9	3
Senior management	57	52
Staff	768	726
Average number of staff	834	781

Notes to the consolidated financial statements continued

9 Staff numbers and costs continued

The aggregate personnel costs were as follows:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Wages and salaries	50.6	43.3
Social security costs	5.7	4.7
Other pension costs	4.9	3.7
Total personnel costs	61.2	51.7

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 period represents contributions payable to the fund and amounted to £4.9m (2013: £3.7m).

Employee share plans

Following Admission, the Group has implemented the following employee share plans:

Long-term incentive plan ("LTIP")

The Group made awards under the LTIP to Executive Directors and other senior managers in November 2013.

The aggregate value (at the Offer Price) of the shares underlying the initial LTIP Awards granted were £6,765,138, of which £6,505,138 was in respect of LTIP Awards subject to performance conditions and £260,000 was in respect of Restricted Share Units (which are not subject to performance conditions, as described below).

50% of the initial LTIP Awards (other than the Restricted Share Units) are subject to a performance condition relating to the growth in the Group's operating profit over a performance period of three financial years. If operating profit for the financial year ended 30 June 2016 exceeds operating profit for the financial year ended 30 June 2013 by 29.5% (equivalent to 9% per annum cumulative growth), 20% of these LTIP Awards will vest. The maximum 100% will vest if operating profit for the financial year ending 30 June 2016 exceeds operating profit for the financial year ended 30 June 2013 by at least 64.3% (equivalent to 18% per annum cumulative growth). Payment will be on a sliding scale in between these points. None of these awards would be made if growth is below 29.5%. The operating profit will be subject to any adjustments as determined by the Remuneration Committee.

The remaining 50% of the initial LTIP Awards (other than the Restricted Share Units) are subject to a condition measuring the Company's TSR performance relative to the constituent companies of the FTSE 250 index (excluding investment trusts, mining companies and oil and gas producers) over the performance period from Admission to 30 June 2016, where the initial TSR shall be determined by reference to the Offer Price. Vesting of 25% of these LTIP Awards will occur for median performance and the maximum 100% will vest for upper quintile performance or above, with straight-line vesting in between these points. None of these awards will vest if TSR is below the median.

The awards are accounted for as equity-settled schemes. The fair value of these schemes is calculated at each award date based upon the number of shares expected to vest and the expense charge is recognised over the course of the vesting period.

At 30 June 2014 there were 3,006,703 awards in issue and a charge of £307,580 has been recognised in the Consolidated statement of comprehensive income with a corresponding increase in equity in the Consolidated statement of financial position.

Share incentive plan ("SIP")

The SIP is an "all-employee" share ownership plan. The Group made an award of 831,070 free shares immediately after admission to all eligible employees. These shares will be forfeited if the employees cease employment (except in "good leaver" circumstances) within the first three years from the date of the award.

While shares are held in trust by the SIP Trust on behalf of the employees and subject to the SIP rules, the employee will be the beneficial owner of the shares and will be entitled to receive dividends (subject to any reinvestment in dividend shares described below) and, through the SIP Trust, to vote and to participate in substantially the same way as other shareholders. Any shares held in the SIP Trust will rank equally with shares then in issue. An employee may leave his or her shares in the SIP Trust until he ceases to be employed by the Group at which point he will be required to withdraw his shares from the SIP Trust.

These awards are accounted for as equity-settled schemes. The fair value of these schemes is calculated at each award date based upon the number of shares awarded multiplied by the share price at grant date and expensed over the vesting period.

At 30 June 2014 there were 792,839 awards in issue and a charge of £321,103 has been recognised in the Consolidated statement of comprehensive income with a corresponding increase in equity in the Consolidated statement of financial position.

10 Employee benefits continued

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. Awards under the DSBP ("bonus awards") will usually be granted over shares with a market value of one-third (or such other proportion as has been determined by the Remuneration Committee) of any bonus payable to such employees under any of the Group's annual bonus arrangements, unless the Remuneration Committee decides otherwise.

Awards under the DSBP may be made in the form of:

- (a) a conditional right to acquire shares at no cost to the participant ("conditional award");
- (b) an option to acquire shares at no cost to the participant ("nil-cost option"); or
- (c) a right to receive a cash amount which relates to the value of a certain number of notional shares ("cash award").

The share element of these bonus awards are accounted for as equity-settled schemes. The fair value of the awards is calculated at each award date based on one-third of the estimated annual bonus payout and expensed over the vesting period.

Initial bonus awards will be made to Executive Directors and other senior managers in October 2014 in respect of bonuses earned in the financial year ended 30 June 2014.

Save As You Earn ("SAYE") scheme

In April 2014, the Group granted options over 4,261,320 ordinary shares with an exercise price of 121 pence over three years or five years, saving periods. The number of options granted over the three years, and five years, saving periods were 3,180,312 and 1,081,008 respectively. Neither the amount nor the saving period can be changed once the scheme commences. At the end of the savings period all or part of the savings can be used to purchase JRG shares, or the savings can be returned in full. The employee has a six-month period after the savings period to make a decision. Employees can save any amount between £5 and £500 per month. These options will be forfeited if the employees cease employment (except in "good leaver" circumstances) within these periods.

These options are accounted for as equity-settled schemes. Therefore, the cost to the Group of the options vesting with respect to the service condition being met is not reflected in the fair value per option but the estimate of the number of options that will actually vest, which is "trued-up" at each reporting period and ultimately reflects the number of options that do actually vest.

At 30 June 2014 there were 4,245,921 options in issue and a charge of £86,165 has been recognised in the Consolidated statement of comprehensive income with a corresponding increase in the equity in the Consolidated statement of financial position.

11 Earnings per share

	Year ended 30 June 2014			Year ended 30 June 2013		
	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence
Basic earnings	72.9	449.6	16.21	58.2	358.3	16.24
Diluted earnings	72.9	449.8	16.21	58.2	358.3	16.24

The calculation of basic and diluted earnings per share is based on dividing the profit attributable to equity holders of the Company of £72.9m (2013: £58.2m) by the weighted average number of ordinary shares outstanding and by the diluted weighted average number of ordinary shares potentially outstanding at the end of the period, calculated as follows:

	Year ended 30 June 2014 million	Year ended 30 June 2013 million
Weighted average number of ordinary shares	449.6	358.3
Effect of dilutive potential ordinary shares:		
Share options	0.2	-
Diluted weighted average number of ordinary shares	449.8	358.3

As explained in note 20, all of JRGHL's ordinary shares were exchanged for JRG's ordinary shares. For the purpose of the earnings per share calculation, the weighted average number of shares for the comparative periods also reflect the exchange.

As explained in note 20, the Group introduced a number of new employee share plans following admission. Awards under the DSBP had not been made at 30 June 2014.

12 Dividends

No dividends were paid during the year ended 30 June 2014 (2013: nil). The Directors recommend a final dividend for 2014 of 2.2 pence per share.

Notes to the consolidated financial statements continued

13 Intangible assets

30 June 2014	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Purchased computer software £m	Software under construction £m	Software development costs £m	Total £m
Cost								
Balance at 1 July 2013	33.6	57.3	16.6	1.6	1.1	1.6	14.6	126.4
Acquired during the year	–	–	–	–	–	–	–	–
Additions arising from internal development	–	–	–	–	–	1.1	–	1.1
Transfers	–	–	–	–	–	–	–	–
At 30 June 2014	33.6	57.3	16.6	1.6	1.1	2.7	14.6	127.5
Amortisation								
Balance at 1 July 2013	–	(12.9)	(16.6)	(1.1)	(0.9)	–	(11.6)	(43.1)
Charge for the year	–	(3.5)	–	(0.4)	(0.1)	–	(0.9)	(4.9)
Impairment	(0.8)	–	–	–	–	(0.4)	(0.7)	(1.9)
At 30 June 2014	(0.8)	(16.4)	(16.6)	(1.5)	(1.0)	(0.4)	(13.2)	(49.9)
Net book value at 30 June 2014	32.8	40.9	–	0.1	0.1	2.3	1.4	77.6
Net book value at 30 June 2013	33.6	44.4	–	0.5	0.2	1.6	3.0	83.3

30 June 2013	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Purchased computer software £m	Software under construction £m	Software development costs £m	Total £m
Cost								
Balance at 1 July 2012	33.6	57.3	16.6	1.6	0.8	1.7	11.8	123.4
Acquired during the year	–	–	–	–	0.3	–	–	0.3
Additions arising from internal development	–	–	–	–	–	2.7	–	2.7
Transfers	–	–	–	–	–	(2.8)	2.8	–
At 30 June 2013	33.6	57.3	16.6	1.6	1.1	1.6	14.6	126.4
Amortisation								
Balance at 1 July 2012	–	(9.3)	(14.3)	(0.8)	(0.8)	–	(10.2)	(35.4)
Charge for the year	–	(3.6)	(2.3)	(0.3)	(0.1)	–	(1.4)	(7.7)
At 30 June 2013	–	(12.9)	(16.6)	(1.1)	(0.9)	–	(11.6)	(43.1)
Net book value at 30 June 2013	33.6	44.4	–	0.5	0.2	1.6	3.0	83.3
Net book value at 30 June 2012	33.6	48.0	2.3	0.8	–	1.7	1.6	88.0

Amortisation and impairment charge

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

13 Intangible assets continued

Impairment testing

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

Goodwill has been allocated to cash generating units or groups of cash generating units as follows:

	30 June 2014 £m	30 June 2013 £m
Just Retirement Limited	32.8	32.8
TOMAS Acquisitions Limited	–	0.8
Total goodwill	32.8	33.6

The recoverable amounts of goodwill have been determined from value in use.

The key assumptions of this calculation are noted below:

	2014
Period on which management approved forecasts are based	5 years
Discount rate – Just Retirement Limited	12%
Discount rate – TOMAS Acquisitions Limited	30%

The value in use of Just Retirement Limited is considered by reference to latest business plans over the next five years that assumes average growth in sales of 7%, and a stressed scenario that assumes no growth in sales for the next three years and discount rate of 20%. The outcome of the impairment assessment under both scenarios is that the goodwill in respect of Just Retirement Limited is not impaired and that the value in use is higher than the carrying value of goodwill.

The value in use of TOMAS Acquisitions Limited was considered by reference to the current year's loss and the projected loss for the year end to June 2015. The projected loss reflects the expected and prudent reductions in revenue as a result of the Budget announcement. As these expectations do not support the carrying value of the goodwill balance of £0.8m it was written down to £nil.

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

14 Equipment

30 June 2014	Computer equipment £m	Furniture and fittings £m	Total £m
Cost			
Balance at 1 July 2013	3.4	2.8	6.2
Acquired during the year	0.3	–	0.3
Disposals	–	–	–
At 30 June 2014	3.7	2.8	6.5
Depreciation			
Balance at 1 July 2013	(2.0)	(2.6)	(4.6)
Charge for the year	(0.7)	(0.2)	(0.9)
Disposals	–	–	–
At 30 June 2014	(2.7)	(2.8)	(5.5)
Net book value at 30 June 2014	1.0	–	1.0
Net book value at 30 June 2013	1.4	0.2	1.6

Notes to the consolidated financial statements continued

14 Equipment continued

30 June 2013	Computer equipment £m	Furniture and fittings £m	Total £m
Cost			
Balance at 1 July 2012	3.0	2.7	5.7
Acquired during the year	0.5	0.1	0.6
Disposals	(0.1)	–	(0.1)
At 30 June 2013	3.4	2.8	6.2
Depreciation			
Balance at 1 July 2012	(1.5)	(2.1)	(3.6)
Charge for the year	(0.6)	(0.5)	(1.1)
Disposals	0.1	–	0.1
At 30 June 2013	(2.0)	(2.6)	(4.6)
Net book value at 30 June 2013	1.4	0.2	1.6
Net book value at 30 June 2012	1.5	0.6	2.1

15 Financial assets

This note explains the methodology for valuing the Group's financial assets and liabilities, measured at fair value, 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.

The Group's financial assets are summarised by measurement category as follows:

	30 June 2014 £m	30 June 2013 £m
Fair value through profit or loss		
Loans secured by mortgages	2,749.4	2,081.2
Other financial investments	4,740.6	3,963.5
Total financial assets	7,490.0	6,044.7

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

Other financial investments

	30 June 2014 £m	30 June 2013 £m
Fair value		
Units in liquidity funds	341.2	149.3
Debt securities and other fixed income securities	4,327.9	3,759.9
Deposits with credit institutions	29.2	17.2
Financial derivatives	42.3	37.1
	4,740.6	3,963.5
Cost		
Units in liquidity funds	341.2	149.3
Debt securities and other fixed income securities	4,192.6	3,638.5
Deposits with credit institutions	29.2	17.2
Financial derivatives	4.2	6.3
	4,567.2	3,811.3

All investments included in debt securities and other fixed income securities are listed investments.

15 Financial assets continued

Other financial investments continued

Units in liquidity funds comprise wholly of units in a fund which invests in cash and cash equivalents.

Deposits with credit institutions with a carrying value of £29.2m (2013: £17.2m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

Of the above financial investments, £4,146.2m (2013: £3,637.2m) 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 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 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 assumptions as those that the market participant would use in pricing the asset or liability.

The Group's financial 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, private placement bonds, and investment contract liabilities.

The valuation of loans secured by mortgages is determined using an internal model which projects future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, costs arising from no-negative equity guarantees and voluntary redemptions. Net future cash flows are discounted at swap rates prevailing at the reporting period date.

The fair value is calculated by taking the difference between the transaction price for each loan and the value that is calculated at the transaction date using the model, deferring it and recognising it over the expected life of each loan.

The Level 3 bonds are mainly comprised of asset-backed securities. Such securities are valued using discounted cash flow analyses using prudent assumptions based on the repayment of the underlying loan.

Investment contract liabilities are calculated on a policy-by-policy basis using a prospective valuation of future annuity benefits and expense cash flows, but with an adjustment to amortise any day-one gain over the life of the contract.

There are no non-recurring fair value measurements as at 30 June 2014 (2013: nil).

Notes to the consolidated financial statements continued

15 Financial assets continued

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

30 June 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value				
Units in liquidity funds	341.2	–	–	341.2
Debt securities and other fixed income securities	75.9	4,236.5	15.5	4,327.9
Deposits with credit institutions	29.2	–	–	29.2
Financial derivatives	–	42.3	–	42.3
Loans secured by mortgages	–	–	2,749.4	2,749.4
Total financial assets held at fair value	446.3	4,278.8	2,764.9	7,490.0
Financial liabilities held at fair value				
Investment contract liabilities	–	–	197.4	197.4
Derivative financial instruments	–	89.6	–	89.6
Obligations for repayment of cash collateral received	1.8	–	–	1.8
Total financial liabilities held at fair value	1.8	89.6	197.4	288.8
30 June 2013	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value				
Units in liquidity funds	149.3	–	–	149.3
Debt securities and other fixed income securities	78.8	3,681.1	–	3,759.9
Deposits with credit institutions	17.2	–	–	17.2
Financial derivatives	–	37.1	–	37.1
Loans secured by mortgages	–	–	2,081.2	2,081.2
Total financial assets held at fair value	245.3	3,718.2	2,081.2	6,044.7
Financial liabilities held at fair value				
Investment contract liabilities	–	–	130.4	130.4
Derivative financial instruments	–	66.6	–	66.6
Total financial liabilities held at fair value	–	66.6	130.4	197.0

(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 period there were no transfers of financial assets between Level 1 and Level 2.

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

Debt securities and other fixed income securities

Reconciliation of the opening and closing recorded amount of Level 3 debt securities and other fixed income securities:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
At start of period	–	–
Purchases	15.5	–
At end of period	15.5	–

15 Financial assets continued

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

Redemption and defaults

All debt securities classified as Level 3 are 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

The sensitivity on profit before tax to changes in default assumptions and redemption profiles in respect of Level 3 debt securities is not material.

Loans secured by mortgages

	30 June 2014 £m	30 June 2013 £m
Fair value	2,749.4	2,081.2
At cost ¹	1,846.7	1,431.2

¹ Includes advances and further advances, less redemptions.

Loans secured by mortgages are classified as fair value through profit or loss. The loans are not expected to be recovered within 12 months of the Statement of financial position date because the loans are lifetime mortgages and significant levels of early redemption are not anticipated.

The change in fair value of loans secured by mortgages recognised in profit or loss during the period is a gain of £145.8m (2013: loss of £122.2m).

The following table shows the movement in the aggregate difference yet to be recognised in profit or loss between the fair value of loans secured by mortgages at initial recognition and the amount that would have been determined at that date using the valuation technique:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
At start of period	431.0	316.9
Amounts deferred in the period	178.6	143.5
Amounts recognised in profit or loss in the period	(45.1)	(29.4)
At end of period	564.5	431.0

Reconciliation of the opening and closing recorded amount of Level 3 loans secured by mortgages:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Loans secured by mortgages		
At start of period	2,081.2	1,842.8
Total gains/(losses) in profit or loss ¹	274.9	(32.7)
Loans advanced	476.4	309.7
Redemptions	(83.1)	(38.6)
At end of period	2,749.4	2,081.2

¹ All gains and losses are included in "Net investment income" in profit or loss.

Principal assumptions underlying the calculation of the loans secured by 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:

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% (2013: 4.0%).

Notes to the consolidated financial statements continued

15 Financial assets continued

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

Mortality

Mortality assumptions have been derived by reference to appropriate standard mortality tables. These 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, input from the Group's lead reinsurer and the 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 Nationwide quarterly index for the property's region.

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking, and the assumed redemption rate for policies in their first year is 0.6% (2013: 0.8%).

Sensitivity analysis

Changes to unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on profit for the period in changes to these inputs as follows:

Net increase/(decrease) in profit before tax (£m)	Loans secured by mortgages valuation assumptions			
	Maintenance expenses	Mortality	Property prices	Voluntary redemptions
	+10%	-5%	-10%	-10%
30 June 2014	(0.6)	2.8	(5.0)	2.7
30 June 2013	(0.4)	1.4	(4.1)	1.2

The sensitivity factors are applied via actuarial 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.

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, and the assumption that there is a parallel shift in interest rates at all durations.

Investment contract liabilities

Reconciliation of the opening and closing recorded amount of Level 3 investment contract liabilities:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
At start of period	130.4	61.5
Deposits received from policyholders	73.7	78.8
Payments made to policyholders	(9.1)	(4.7)
Change in contract liabilities recognised in profit or loss	2.4	(5.2)
At end of period	197.4	130.4

Principal assumption 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 4.2% (2013: 4.2%).

Sensitivity analysis

The sensitivity on profit before tax to changes in maintenance expense assumptions in respect of investment contract liabilities is not material.

16 Deferred tax

30 June 2014	Asset £m	Liability £m	Total £m
Transitional tax	–	(25.0)	(25.0)
Intangible assets	–	(8.2)	(8.2)
Other provisions	12.7	–	12.7
Total deferred tax	12.7	(33.2)	(20.5)

30 June 2013	Asset £m	Liability £m	Total £m
Transitional tax	–	(32.1)	(32.1)
Intangible assets	–	(10.3)	(10.3)
Other provisions	12.7	(2.4)	10.3
Total deferred tax	12.7	(44.8)	(32.1)

Other provisions relate to timing differences between the IFRS financial statements and tax deductions for statutory insurance liabilities. The tax liability includes the transitional difference of £25.0m (2013: £32.1m) that arose on the 1 January 2013 and represent the change in the tax rules for life insurance companies which is amortised over 10 years.

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

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Net balance at 1 July	(32.1)	(33.3)
Amounts credited to the Statement of comprehensive income	11.6	1.2
Net balance at 30 June	(20.5)	(32.1)

The Group has unrecognised deferred tax assets of £6.2m (2013: £6.9m) arising from unrelieved tax losses.

17 Prepayments and accrued income

Included in prepayments and accrued income are capitalised bank borrowing issue costs of £1.2m (2013: £1.5m).

Prepayments and accrued income for the Group includes £0.8m (2013: £1.1m) that is expected to be recovered more than one year after the statement of financial position date.

18 Insurance and other receivables

	30 June 2014 £m	30 June 2013 £m
Receivables arising from reinsurance contracts	0.2	1.3
Other receivables	4.8	16.8
Total insurance and other receivables	5.0	18.1

Of the above insurance and other receivables £3.5m, (2013: £0.6m) is expected to be recovered more than one year after the Statement of financial position date.

19 Cash and cash equivalents

	30 June 2014 £m	30 June 2013 £m
Cash available on demand	54.4	40.6
Units in liquidity funds (note 15)	341.2	149.3
Cash and cash equivalents in the Consolidated statement of cash flows	395.6	189.9

Notes to the consolidated financial statements continued

20 Group reorganisation

The principal purpose of the reorganisation was to make JRG the ultimate holding company of the Group and to convert the existing shareholders' economic interests in JRGHL into shares of JRG, thereby ensuring that the interests of existing shareholders and those of investors who purchase shares in the IPO rank *pari passu*.

The reorganisation has been effected by JRG acquiring the entire issued share capital of JRGHL, the Parent Company of JRHL, which is the holding company of the Group operating companies.

Structure immediately prior to reorganisation

JRGHL had (immediately prior to the reorganisation) four classes of carried shares in issue: A and A1 ordinary shares; B ordinary shares; C1 and C2 ordinary shares; and A and B preference shares. The B ordinary shares carried all voting rights in respect of JRGHL's share capital. JRGHL also had two classes of loan notes outstanding, (the "A loan notes" and the "B loan notes"), an outstanding shareholder term loan (the "shareholder loan") and a profit participating instrument ("PPI").

The value of equity and debt capital in JRGHL immediately prior to the reorganisation was as follows:

Equity	Notes	Number of shares	Share capital £m	Share premium £m	Total £m
A ordinary shares		55,962,922	5.5	0.5	6.0
A1 ordinary shares		1,583,440	0.1	–	0.1
B ordinary shares		706,231,572	70.6	4.3	74.9
C1 ordinary shares		1,583,440	0.2	–	0.2
C2 ordinary shares		71,597,994	3.6	0.4	4.0
Total equity	1	836,959,368	80.0	5.2	85.2

Debt	Notes	Principal £m	Accrued interest/dividend £m	Total £m
A and B preference shares	2	48.7	32.1	80.8
A loan notes	3	13.6	4.5	18.1
B loan notes, shareholder loan and PPI	4	168.8	71.5	240.3
Total debt		231.1	108.1	339.2

Immediately prior to admission to the London Stock Exchange

The reorganisation of the equity and debt detailed above occurred as follows:

- (1) The A, A1, B, C1 and C2 ordinary shares (including any accrued and unpaid dividend) were reclassified into 215,918,221 new JRGHL ordinary shares for a value of £26.8m, together with a residual class of deferred shares for a value of £58.4m and preference shares of £49,998.
- (2) The A and B preference shares (including any accrued and unpaid dividend) were reclassified into 35,918,843 new JRGHL ordinary shares for a value of £3.6m together with a residual class of deferred shares for a value of £45.1m. The rate of exchange to new JRGHL ordinary shares reflected non-payment of the accrued dividend of £32.1m which has been reversed through reserves and the liability derecognised.
- (3) The A loan notes previously issued by JRGHL, (including any accrued and unpaid coupon) were exchanged on a pound-for-pound basis for the allotment and issue of 8,040,043 new JRGHL ordinary shares for a value of £18.1m.
- (4) The B loan notes previously issued by JRGHL (including any accrued and unpaid coupon) and the shareholder loan (including any accrued and unpaid interest) were assigned from Avalire Limited to Avallux. The B loan notes previously issued by JRGHL were exchanged on a pound-for-pound basis for the allotment and issue of 104,667,407 new JRGHL ordinary shares for a value of £235.5m. The shareholder loan and the PPI previously issued by JRGHL (including any accrued and unpaid interest or coupon in respect of each instrument) were exchanged on a pound-for-pound basis for the allotment and issue of 2,121,904 new JRGHL ordinary shares for a value of £4.8m.
- (5) Avallux received preference shares for a value of £49,998 as a result of the reclassification so as to mirror the shares it held in Just Retirement Group plc which it subscribed for on incorporation.
- (6) The new JRGHL deferred shares had a negligible market value and were repurchased by JRGHL immediately prior to the share-for-share exchange. The preference shares held by Avallux were also repurchased following admission.

20 Group reorganisation continued**Immediately prior to admission to the London Stock Exchange** continued

(7) The allocation of new JRGHL shares to existing equity and debt holders is summarised as follows:

	JRGHL ordinary shares received	Share capital £m	Share premium £m	Total £m	Deferred shares £m	Accumulated profit reserve £m	Total £m
A ordinary shares	14,437,222	1.4	0.5	1.9	4.2	–	6.1
A1 ordinary shares	408,494	0.1	–	0.1	–	–	0.1
B ordinary shares	182,193,208	18.2	4.3	22.5	52.4	–	74.9
C1 ordinary shares	408,494	0.1	–	0.1	0.1	–	0.2
C2 ordinary shares	18,470,803	1.8	0.4	2.2	1.7	–	3.9
Reclassification of existing equity	215,918,221	21.6	5.2	26.8	58.4	–	85.2
A and B preference shares	35,918,843	3.6	–	3.6	45.1	32.1	80.8
A loan notes	8,040,043	0.8	17.3	18.1	–	–	18.1
B loan notes, shareholder loan and PPI	106,789,311	10.7	229.6	240.3	–	–	240.3
Reclassification of existing debt	150,748,197	15.1	246.9	262.0	45.1	32.1	339.2
New JRGHL shares	366,666,418	36.7	252.1	288.8	103.5	32.1	424.4

(8) All new JRGHL ordinary shares were exchanged on a share-for-share basis for new JRG ordinary shares for a value of £36.7m.

A reorganisation reserve amounting to £347.4m, net of transaction costs of £8.2m, arises in the JRG Group consolidated accounts.

As a result of this exchange, JRG is the holder of all issued share capital of JRGHL.

Following the admission of Just Retirement Group plc on 15 November 2013

(9) JRG issued 133,333,582 ordinary shares raising gross sales proceeds of £300m.

(10) £175m of the proceeds were invested in JRL, the life company, comprising equity investment of £50m and a Tier 2 loan for £125m through Just Retirement (Holdings) Limited.

(11) £18.4m of the proceeds were used to fund transaction costs.

(12) The remaining £106.6m were held for general corporate purposes, including the Group's response to the pension reforms announced in the Budget.

(13) The Company issued 831,070 SIP shares, an "all-employee" share ownership plan, to staff.

21 Share capital

Immediately prior to admission on the London Stock Exchange, the Company exchanged 366,666,418 ordinary shares of £0.10 nominal value with the shareholders of JRGHL.

The allotted and issued share capital of JRGHL, the ultimate holding company in the United Kingdom prior to the reorganisation is detailed below:

	Number of shares	Share capital £m	Share premium £m
A ordinary shares	55,962,922	5.5	0.5
A1 ordinary shares	1,583,440	0.1	–
B ordinary shares	706,231,572	70.6	4.3
C1 ordinary shares	1,583,440	0.2	–
C2 ordinary shares	71,597,994	3.6	0.4
Total	836,959,368	80.0	5.2

Notes to the consolidated financial statements continued

21 Share capital continued

JRG was incorporated on 13 June 2013 and the allotted, called up and fully paid up share capital is detailed below.

As detailed in note 20, immediately prior to admission on 15 November 2013, all the A, A1, B, C1 and C2 ordinary shares, A and B preference shares (including any accrued and unpaid dividend), A and B loan notes, the shareholder loan and the PPI (including any accrued and unpaid interest or coupon in respect of each instrument) were exchanged for new JRGHL ordinary shares. The new JRGHL ordinary shares were exchanged for new JRG ordinary shares as follows:

- 215,918,221 new JRGHL ordinary shares in respect of the A, A1, B, C1 and C2 ordinary shares were exchanged for 215,918,201 new JRG ordinary shares for a value of £21.6m;
- 35,918,843 new JRGHL ordinary shares in respect of the A and B preference shares were exchanged for 35,918,843 new JRG ordinary shares for a value of £3.6m;
- 8,040,043 new JRGHL ordinary shares in respect of the A loan notes were exchanged for 8,040,043 new JRG ordinary shares for a value of £0.8m; and
- 106,789,311 new JRGHL ordinary shares in respect of the B loan notes, the shareholder loan and the PPI were exchanged for 106,789,311 new JRG ordinary shares for a value of £10.7m.

The comparative share capital and share premium presented in these financial statements represents that of JRGHL restated to reflect the exchange of JRGHL ordinary shares as though the reorganisation had taken place at the start of the comparative period. The effect of this is the creation of a reorganisation reserve for the difference in value of shares exchanged, as follows:

	Share capital £m	Share premium £m	Reorganisation reserve £m
Balance at 30 June 2013 as previously presented	80.0	5.2	–
Restated balance at 30 June 2013	21.6	–	63.6

The allotted and issued ordinary share capital of Just Retirement Group plc at 30 June 2014 is detailed below:

	Number of shares	Share capital £m	Share premium £m
On incorporation, ordinary shares of £0.10	20	–	–
Prior to admission:			
Share exchange to existing shareholders	215,918,201	21.6	–
Share exchange for A and B preference shareholders	35,918,843	3.6	–
Exchange of A loan notes	8,040,043	0.8	–
Exchange of the B loan notes, the shareholder loan and the PPI	106,789,311	10.7	–
JRG shares exchanged for JRGHL shares	366,666,398	36.7	–
New shares issued	133,333,582	13.3	286.7
Share issue costs	–	–	(7.6)
On 15 November 2013:			
Share-based payments	831,070	0.1	1.2
Capital reduction	–	–	(279.1)
As at 30 June 2014	500,831,070	50.1	1.2

On 30 April 2014 Just Retirement Group plc completed a High Court approved capital reduction. A copy of the order confirming the capital reduction has been registered by the Registrar of Companies and as such the capital reduction became effective. All share premium attaching to the Company's ordinary shares has consequently been cancelled. The purpose of the capital reduction was to create distributable reserves to enable the Company to pay dividends in the future.

22 Insurance contracts and related reinsurance

Insurance liabilities

	2014 Gross £m	2014 Reinsurance £m	2014 Net £m
Future policyholders' benefits	6,483.6	3,616.3	2,867.3
	2013 Gross £m	2013 Reinsurance £m	2013 Net £m
Future policyholders' benefits	5,490.3	3,476.8	2,013.5

22 Insurance contracts and related reinsurance continued

(a) Terms and conditions of insurance contracts

The Group writes insurance contracts in the form of individually underwritten annuities for the at-retirement market where the policyholder has one or more pre-existing medical or lifestyle conditions leading to a reduced life expectancy. In return for an initial single premium, these contracts pay a regular amount (usually monthly or annually and sometimes increasing at a fixed or index-linked rate) until the death of the policyholder. Some contracts have payments guaranteed for a minimum term and some have payments that continue after the death of the policyholder to a dependant until the death of that dependant.

(b) Principal assumptions underlying the calculation of insurance contracts

Valuation discount rates

Valuation discount rate assumptions for annuities are set with regards to yields on supporting assets. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on a prudent expectation of default experience of each asset class.

Valuation discount rates – gross liabilities	2014 %	2013 %
Individually underwritten annuities	4.13	4.20

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 annuitants, taking into account the medical and lifestyle evidence collected during the underwriting process 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 the management's own industry experience.

Mortality table

	2014	2013
Individually underwritten annuities – males	PCMA00	PCMA00
Individually underwritten annuities – females	PCFA00	PCFA00

The percentage of each table used varies according to medical and lifestyle conditions, premium size and gender. In addition to the mortality improvements included in the base mortality table, the Company overlays mortality improvement projections and its own additional assessment of how the additional mortality determined at the date of underwriting will develop in the future.

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 4.2% (2013: 4.2%) 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 annuities during the period:

	Gross £m	Reinsurance £m	Net £m
Carrying amount			
At 1 July 2013	5,490.3	3,476.8	2,013.5
Increase in liability from premiums	1,176.2	502.7	673.5
Release of liability due to recorded claims	(445.7)	(235.0)	(210.7)
Unwinding of discount	242.5	107.7	134.8
Changes in economic assumptions	37.9	39.0	(1.1)
Changes in non-economic assumptions	(14.1)	(14.1)	–
Other movements ¹	(3.5)	(260.8)	257.3
At 30 June 2014	6,483.6	3,616.3	2,867.3

¹ Includes the impact of reinsurance recapture.

Notes to the consolidated financial statements continued

22 Insurance contracts and related reinsurance continued (c) Movements continued

	Gross £m	Reinsurance £m	Net £m
Carrying amount			
At 1 July 2012	4,626.7	3,079.8	1,546.9
Increase in liability from premiums	1,216.6	718.7	497.9
Release of liability due to recorded claims	(369.6)	(218.8)	(150.8)
Unwinding of discount	195.7	95.4	100.3
Changes in economic assumptions	(196.8)	(96.4)	(100.4)
Changes in non-economic assumptions	20.0	9.4	10.6
Other movements ¹	(2.3)	(111.3)	109.0
At 30 June 2013	5,490.3	3,476.8	2,013.5

¹ Includes the impact of reinsurance recapture.

Effect of changes in assumptions and estimates during the period

Economic assumption changes

Discount rates

Interest rates over the period have decreased by 0.07% from 4.20% at 30 June 2013 to 4.13% at 30 June 2014. A decrease in interest rates increases the carrying value of insurance liabilities.

Expense inflation

The renewal expense inflation assumption used at 30 June 2014 was 4.2% p.a. (2013: 4.2% p.a.).

Non-economic assumption changes

Expense assumption

The renewal expense assumption used at 30 June 2014 was £38.94 per plan. This has increased from £37.37 per plan at 30 June 2013. An increase in the renewal expense assumption increases the carrying value of insurance liabilities.

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

The following shows the insurance contract balances analysed by duration. The total balances are split by duration of annuity payments in proportion to the policy cash flows estimated to arise during that period.

	Within 1 year £m	1–5 years £m	5–15 years £m	Over 15 years £m	Total £m
30 June 2014					
Individually underwritten annuities					
Gross	470.9	1,659.1	2,733.2	1,620.4	6,483.6
Reinsurance	(265.9)	(935.4)	(1,530.1)	(884.9)	(3,616.3)
Net	205.0	723.7	1,203.1	735.5	2,867.3
30 June 2013					
Individually underwritten annuities					
Gross	400.4	1,413.8	2,315.1	1,361.0	5,490.3
Reinsurance	(255.7)	(901.6)	(1,469.3)	(850.2)	(3,476.8)
Net	144.7	512.2	845.8	510.8	2,013.5

22 Insurance contracts and related reinsurance continued

(e) Sensitivity analysis

The Group has estimated the impact on profit for the year in relation to insurance contracts and related reinsurance from changes in key assumptions relating to financial assets and liabilities:

Impact on profit before tax (£m)

	Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Mortality -5%	Property prices -10%	Voluntary redemptions -10%
30 June 2014						
Gross	(17.4)	20.5	(13.8)	(69.8)	(28.7)	2.7
Reinsurance	(15.3)	18.0	–	42.4	–	–
Net increase/(decrease) in profit before tax	(32.7)	38.5	(13.8)	(27.4)	(28.7)	2.7
30 June 2013						
Gross	(0.6)	2.4	(11.4)	(62.0)	(19.7)	6.3
Reinsurance	(15.0)	17.7	–	44.5	–	–
Net increase/(decrease) in profit before tax	(15.6)	20.1	(11.4)	(17.5)	(19.7)	6.3

The sensitivity factors are applied via actuarial 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 above 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.

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, and the assumption that there is a parallel shift in interest rates at all durations.

23 Investment contract liabilities

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Balance at 1 July	130.4	61.5
Deposits received from policyholders	73.7	78.8
Payments made to policyholders	(9.1)	(4.7)
Change in contract liabilities recognised in profit or loss	2.4	(5.2)
Balance at 30 June	197.4	130.4

Investment contracts are not reinsured.

(a) Terms and conditions of investment contracts

The Group writes capped drawdown products for the at-retirement market. 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.

Notes to the consolidated financial statements continued

23 Investment contract liabilities continued

(b) Principal assumptions underlying the calculation of investment contracts

Valuation discount rates

Valuation discount rate assumptions for investment contracts are set with regards to yields on supporting assets. 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.

The changes in the valuation discount rates reflect the changes in yields on the supporting assets.

Valuation discount rates	2014 %	2013 %
Investment contracts	4.22	4.20

24 Loans and borrowings

	30 June 2014 £m	30 June 2013 £m
Bank borrowings	51.6	55.2

On 25 September 2012, Just Retirement (Holdings) Limited entered into a £35m five-year term loan agreement provided by Royal Bank of Scotland.

On 9 May 2013, Deutsche Bank AG and Nomura International plc acceded to the loan agreement under the terms of an accordion feature, with each providing loans of £10m to Just Retirement (Holdings) Limited.

On 11 October 2013, £3.6m was repaid.

The fair value of bank borrowings is the same as the carrying value.

25 Other liabilities

The Group has other 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	30 June 2014 £m	30 June 2013 £m
Amortised cost:			
Class A loan notes	(a)	–	13.6
Class B loan notes	(a)	–	164.8
Class A preference shares	(b)	–	3.7
Class B preference shares	(b)	–	45.0
Other loans	(c)	–	4.0
Fair value through profit or loss:			
Derivative financial instruments	(d)	89.6	66.6
Obligations for repayment of cash collateral received	(d)	1.8	–
Liabilities measured using insurance rules:			
Deposits received from reinsurers	(e)	3,464.0	3,313.3
Reinsurance finance	(f)	98.2	94.4
Total other liabilities		3,653.6	3,705.4

The liabilities above, which are measured at fair value through profit or loss, are designated as such on initial recognition.

25 Other liabilities continued

(a) Loan notes

Class "A" loan notes for £11.2m and Class "B" loan notes for £141.7m were issued on 27 November 2009 with a further £2.4m Class "A" loan notes issued on 18 December 2012 and £23.1m Class "B" loan notes on 25 September 2012. Interest accrued on the loan notes at 10% per annum compounded including rolled up interest from the quarterly payment dates.

The Class "A" and Class "B" loan notes were unsecured and rank *pari passu* in right of payment to all existing and future unsubordinated indebtedness of the Company and without preference amongst themselves.

The loan notes were repayable on the earlier of the 10th anniversary of the issue of the notes, on a listing of the Company or sale of the Company.

Immediately prior to admission, the Class "A" and Class "B" loan notes were exchanged on a pound-for-pound basis to the Company in exchange for the allotment and issue of 8,040,043 ordinary shares in the Company for a value of £0.8m for the Class "A" loans and 104,667,407 ordinary shares in the Company for a value of £10.5m for the Class "B" loans.

(b) Preference shares

Class "A" preference shares for £3.1m and Class "B" preference shares for £38.6m were issued on 27 November 2009 with a further £0.6m Class "A" preference shares on 18 December 2012 and £6.4m Class "B" preference shares issued on 25 September 2012.

Immediately prior to admission, the Class "A" and Class "B" preference shares were exchanged on a pound-for-pound basis to the Company in exchange for the allotment and issue of 2,694,799 ordinary shares in the Company for a value of £0.3m for the Class "A" preference shares and 33,224,044 ordinary shares in the Company for a value of £3.3m for the Class "B" preference shares.

(c) Other loans

Other loans relate to loan notes and PPI. The terms of these loan notes are the same as the Class "A" and "B" loan notes. The PPI was issued on 27 November 2009 and has a term of 99 years. The yield on the PPI is based on the adjusted profits of the Company. The yield for the period to 15 November 2013 was nil% (30 June 2013: nil%).

Immediately prior to admission, the loan notes and profit participating instruments were exchanged on a pound-for-pound basis to the Company in exchange for the allotment and issue of 2,121,904 ordinary shares in the Company for a value of £0.2m.

(d) Derivative financial instruments and obligations for repayment of cash collateral received

The derivative financial instruments 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.

(e) Deposits received from reinsurers

Deposits received from reinsurers 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.

(f) 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 is contingent upon the emergence of surplus under the Pillar 1 valuation rules.

26 Derivative financial instruments

The Company uses various derivative financial instruments to manage its exposure to interest rates, and foreign exchange risk, including interest rate swaps, interest rate swaptions and foreign currency asset swaps.

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD/EUR asset swaps	7.5	0.6	186.1
Sterling interest rate swaps	34.8	89.0	702.0
Sterling interest rate swaptions	–	–	365.0
Total at 30 June 2014	42.3	89.6	1,253.1
Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD asset swaps	0.1	0.8	69.4
Sterling interest rate swaps	35.1	65.8	702.0
Sterling interest rate swaptions	1.9	–	695.0
Total at 30 June 2013	37.1	66.6	1,466.4

Notes to the consolidated financial statements continued

26 Derivative financial instruments continued

With the exception of the swaptions which expire in the next 12 months, the above derivative financial instruments are not expected to be settled within 12 months of the statement of financial position date. The maximum exposure to credit risk at the reporting date is the fair value of the derivatives in the statement of financial position.

The interest rate swaps are not designated as a hedge and changes in their fair value are included in profit or loss. Derivatives are used to manage the Group's European embedded value and regulatory capital, which is affected by a surplus of long-dated fixed interest securities when liabilities are measured on a realistic basis.

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

As at 30 June 2014, the Company had pledged collateral of £54.3m (2013: £34.3m) of which £25.1m were gilts (2013: £17.2m) and had received cash collateral of £1.8m (2013: £nil).

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

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Movement in fair value of swaps	(17.8)	11.4
Realised gains/(losses) on interest rate swaps closed	1.2	(4.6)
Net derivative cost of new trades	–	(2.4)
Total amounts recognised in profit or loss	(16.6)	4.4

27 Deposits received from reinsurers

The Group's subsidiary, Just Retirement Limited, has entered into long-term reinsurance arrangements with four reinsurance companies. Under the reinsurance treaties, a percentage of the liability under reinsured policies written, determined on the Pillar 1 basis, is ceded to the reinsurers who deposit back an amount calculated to cover the credit risk that would otherwise be borne by Just Retirement Limited.

In addition to the reinsurance of the mortality risk, Just Retirement Limited receives a benefit for Pillar 1 solvency purposes, because the reinsurance premium paid to the reinsurers represents less than 100% of the value of the reinsured liabilities on the treaty basis with the resultant capital benefit utilised as solvency capital in determining the regulatory Pillar 1 solvency of Just Retirement Limited. The resultant benefit is treated as a liability in the financial statements and its repayment is contingent upon the emergence of surplus under Pillar 1 valuation rules.

The amount of deposits received from reinsurers that is expected to be settled more than one year after the statement of financial position date is £3,207.2m (2013: £3,069.8m).

During the period the Group fully repaid the financing provided in respect of the Group's underwriting year 2006/07 and exercised its right under the reinsurance contract to recapture the previously ceded insurance liabilities. As a consequence the reinsurers also reduced the level of deposit back granted to Just Retirement Limited. This business was recaptured at the end of December 2013, resulting in a decrease in ceded insurance liabilities of £263.1m (2013: £115.4m) and a reduction in the deposit back of £263.1m (2013: £116.8m). The consequences of this recapture are that the Group now solely bears the risks and rewards of the 2006/07 underwriting year.

28 Other provisions

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Balance at 1 July	1.7	1.2
Amounts utilised	(0.8)	–
Amounts released	(0.4)	–
Amounts charged to Statement of comprehensive income	4.3	0.5
Balance at 30 June	4.8	1.7

The amount of provisions that is expected to be settled more than 12 months after the statement of financial position date is £0.5m (2013: £0.9m).

29 Current tax

Current tax assets/liabilities receivable/payable in more than one year are £nil (2013: £nil).

30 Accruals and deferred income

Accruals and deferred income payable in more than one year are £nil (2013: £nil).

31 Insurance and other payables

	30 June 2014 £m	30 June 2013 £m
Payables arising from insurance and reinsurance contracts	13.3	13.7
Interest accrued on loan notes and preference shares	–	95.2
Other loan interest accrued	–	0.7
Other payables	22.2	50.0
Total insurance and other payables	35.5	159.6

Insurance and other payables due in more than one year are £2.0m (2013: £95.2m).

32 Commitments

Operating leases

The Group leases a number of properties under operating leases.

The future minimum lease payments payable over the remaining terms of non-cancellable operating leases are as follows:

	30 June 2014 £m	30 June 2013 £m
Less than one year	1.5	1.4
Between one and five years	5.9	3.5
More than five years	1.8	0.2
Total future minimum lease payments	9.2	5.1

Capital commitments

The Group had no capital commitments as at 30 June 2014 (2013: £nil).

33 Contingent liabilities

The Group had no contingent liabilities as at 30 June 2014 (2013: £nil).

34 Financial and insurance risk management

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

(a) Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

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

Individually underwritten annuities 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 annuities. 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.

Notes to the consolidated financial statements continued

34 Financial and insurance risk management continued

(a) Insurance risk continued

Underpinning the management of insurance risk are:

- The development and use of medical information (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 Actuarial Function Holder and 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 annuities, and changes in interest rates can affect the relative attractiveness of annuity products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, annuity 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 and swaptions.

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

30 June 2014	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
Debt securities and other fixed income securities	224.0	1,290.4	1,372.9	1,440.6	–	4,327.9
Units in liquidity funds	341.2	–	–	–	–	341.2
Loans secured by mortgages	–	–	–	–	2,749.4	2,749.4
Financial derivatives	–	–	30.2	12.1	–	42.3
Deposits with credit institutions	29.2	–	–	–	–	29.2
Total	594.4	1,290.4	1,403.1	1,452.7	2,749.4	7,490.0

34 Financial and insurance risk management continued

(b) Market risk continued

30 June 2013	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
Debt securities and other fixed income securities	235.9	1,042.6	1,120.4	1,361.0	–	3,759.9
Units in liquidity funds	149.3	–	–	–	–	149.3
Loans secured by mortgages	–	–	–	–	2,081.2	2,081.2
Financial derivatives	–	1.9	25.3	9.9	–	37.1
Deposits with credit institutions	17.2	–	–	–	–	17.2
Total	402.4	1,044.5	1,145.7	1,370.9	2,081.2	6,044.7

(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.

(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 annuities. 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 annuities.

(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 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 26);
- Reassurance – reassurance 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; and
- Credit risk – credit risks for loans secured by mortgages has been considered within "property risk" above.

Notes to the consolidated financial statements continued

34 Financial and insurance risk management continued

(c) Credit risk continued

The following table provides information regarding the credit risk exposure for financial investments of the Group, which are neither past due nor impaired at 30 June:

30 June 2014	AAA ¹ £m	AA £m	A £m	BBB ² £m	Unrated £m	Total £m
Debt securities and other fixed income securities	273.5	612.9	1,871.8	1,569.7	–	4,327.9
Units in liquidity funds	341.2	–	–	–	–	341.2
Deposits with credit institutions	–	–	29.2	–	–	29.2
Insurance and other receivables	–	–	0.6	–	4.4	5.0
Financial derivatives	–	–	42.3	–	–	42.3
Reinsurance	–	121.7	30.6	–	–	152.3
Total	614.7	734.6	1,974.5	1,569.7	4.4	4,897.9

30 June 2013	AAA ¹ £m	AA £m	A £m	BBB ² £m	Unrated £m	Total £m
Debt securities and other fixed income securities	377.7	466.4	1,711.0	1,204.8	–	3,759.9
Units in sterling liquidity fund	149.3	–	–	–	–	149.3
Deposits with credit institutions	–	–	17.2	–	–	17.2
Insurance and other receivables	–	–	–	–	18.1	18.1
Financial derivatives	–	–	37.1	–	–	37.1
Reinsurance	–	124.1	39.4	–	–	163.5
Total	527.0	590.5	1,804.7	1,204.8	18.1	4,145.1

1 Includes treasury gilts.

2 Includes BBB and below.

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

(d) Liquidity risk

The investment of annuity 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 or reputational damage;
- 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 wholly funded by advance annuity premium payments and investment coupon receipts 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 annuity 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 annuities, 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 terms are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required.

34 Financial and insurance risk management continued**(d) Liquidity risk** continued

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:

	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
30 June 2014				
Derivative financial instruments	1.0	4.0	453.4	–
Obligations for repayment of cash collateral received	1.8	–	–	–
Deposits received from reinsurers	261.6	1,015.3	4,257.9	–
Reinsurance finance	–	–	–	98.2
Bank borrowings	6.4	50.2	–	–
Class A loan notes	–	–	–	–
Class B loan notes	–	–	–	–
Class A preference shares	–	–	–	–
Class B preference shares	–	–	–	–
Other loans	–	–	–	–
30 June 2013				
Derivative financial instruments	1.2	4.6	326.4	–
Obligations for repayment of cash collateral received	–	–	–	–
Deposits received from reinsurers	248.2	967.3	4,063.6	–
Reinsurance finance	–	–	–	94.4
Bank borrowings	5.6	56.6	–	–
Class A loan notes	–	–	13.6	–
Class B loan notes	–	–	164.8	–
Class A preference shares	–	–	–	3.7
Class B preference shares	–	–	–	45.0
Other loans	–	–	4.0	–

Notes to the consolidated financial statements continued

35 Capital

The Group and its regulated subsidiaries are required to maintain a minimum margin of solvency capital in excess of the value of its liabilities to comply with a number of regulatory requirements relating to the Group's and such subsidiaries' solvency and reporting bases. These regulatory requirements apply to individual regulated subsidiaries on a stand-alone basis and in respect of the Group as a whole, and apply to different levels within the Group and on different bases.

The amount of regulatory and economic capital required also depends on the level of risk facing the insurance and other subsidiaries in the Group, and as such correlates to economic market cycles. The Group must assess its capital resources on both a Pillar 1 (regulatory capital) and a Pillar 2 (individual capital assessment) basis and must hold sufficient qualifying regulatory capital to satisfy both tests. Pillar 1 capital requirement is calculated by applying fixed percentages to reserves in accordance with the PRA General Prudential Sourcebook, whereas the Pillar 2 capital requirement is determined following an individual capital assessment by the Group, which is then reviewed by the PRA. The Group may also be required by the Regulator to hold capital over and above that required to satisfy the Pillar 1 and 2 requirements and its Group risk profile.

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

The Group'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 so that it can 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:

- Authorised by the PRA, and regulated by the PRA and FCA – Just Retirement Limited.
- Authorised and regulated by the FCA – Just Retirement Solutions Limited.

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

Group capital composition

The Group's capital composition comprises the following balances in the consolidated statement of financial position:

	30 June 2014 £m	30 June 2013 £m
Share capital	50.1	21.6
Share premium	1.2	–
Reorganisation reserve	347.4	63.6
Shares held by Employee Benefit Trust	(0.1)	–
Accumulated profit	454.2	66.1
Capital attributable to owners of Just Retirement Group plc	852.8	151.3
Non-controlling interest	–	(1.2)
Total capital	852.8	150.1

Just Retirement Limited – Pillar 1 capital position

	30 June 2014 £m	30 June 2013 £m
Total capital resources	675.6	411.4
Capital resources requirement (Pillar 1)	(286.6)	(241.3)
Excess available capital resources	389.0	170.1
Cover ratio	236%	170%

36 Group entities

The Group holds investment in the ordinary shares (unless otherwise stated) of the following principal subsidiary undertakings:

	Principal activity	Country of Incorporation	Percentage of nominal share capital and voting rights held
Just Retirement Group Holdings Limited	Holding Company	England & Wales	100%
Just Retirement (Holdings) Limited ¹	Holding Company	England & Wales	100%
Just Retirement Limited ²	Life assurance	England & Wales	100%
Just Retirement Solutions Limited ²	Distribution	England & Wales	100%
Just Retirement Management Services Limited ²	Management services	England & Wales	100%
TOMAS Acquisitions Limited ²	Holding company	England & Wales	100% ^{4,5}
The Open Market Annuity Service Limited ³	Software solutions	Northern Ireland	100%
TOMAS Online Development Limited ³	Software development	Northern Ireland	100%

1 Subsidiary of Just Retirement Group Holdings Limited.

2 Subsidiaries of Just Retirement (Holdings) Limited.

3 Subsidiaries of TOMAS Acquisitions Limited.

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

5 Remaining ownership of TOMAS Acquisitions Limited (28.3%) was acquired during the year.

All subsidiary undertakings have a financial year end of 30 June.

37 Related parties

The Group has related party relationships with its immediate parent and ultimate Parent Company. All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprise the Directors of the Company, Directors of subsidiary undertakings and certain members of senior management.

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 30 June 2014 £m	Year ended 30 June 2013 £m
Short-term employee benefits	5.3	3.4
Long-term employee benefits	–	0.1
Share-based payments	0.2	–
Total key management compensation	5.5	3.5

In relation to the Group's previous long-term incentive scheme, certain key management personnel had loan agreements with the Just Retirement Employee Benefit Trust and Just Retirement Management Services Limited, both of which are related parties. The aggregate value of the loans and amounts outstanding are shown below. All loans including accrued interest were repaid as part of the share reorganisation:

	Maximum amount of loan £'000	Amount outstanding at 30 June 2014 £'000	Amount outstanding at 30 June 2013 £'000
Loans to key management personnel	2,736	–	2,692

Notes to the consolidated financial statements continued

38 Ultimate Parent Company and ultimate controlling party

The ultimate parent undertaking of the Group is Avallux S.à.r.l, a company incorporated in Luxembourg. The Directors consider the ultimate controlling party to be funds advised by Permira LLP. The funds have a controlling interest of 100% in Avallux S.à.r.l.

Permira is an international private equity firm advising private equity funds raised from a diverse group of investors in public and corporate pension funds, insurance companies, charities and foundations, banks and government entities.

See note 8 for details regarding the remuneration of Directors.

39 Post balance sheet events

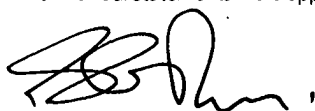
There have been no material events between 30 June 2014 and the date of this report that are required to be brought to the attention of shareholders.

Parent Company balance sheet

As at 30 June 2014

Company number: 08568957	Note	30 June 2014 £m	13 June 2013 £m
Fixed assets			
Investment in subsidiary undertakings	2	212.4	–
Current assets			
Financial assets		113.7	–
Amounts due from Group undertakings		0.3	–
Prepayments and accrued income		1.4	–
Cash and cash equivalents		0.3	–
		115.7	–
Current liabilities			
Creditors: amounts falling due within one year		(0.5)	–
Net current assets		115.2	–
Net assets		327.6	–
Capital and reserves			
Share capital	3	50.1	–
Share premium account	3	–	–
Shares held by Employee Benefit Trust	3	(0.1)	–
Profit and loss account	3	277.6	–
Shareholders' funds	3	327.6	–

The financial statements were approved by the Board of Directors on 17 September 2014 and were signed on its behalf by:



Simon Thomas
Director

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Notes to the Parent Company balance sheet

1 Accounting policies

General information

Just Retirement Group plc (the "Company") was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares. On incorporation, the share capital of the Company was £2 divided into 20 ordinary shares of £0.10 each. During the period to 30 June 2014, the Company successfully completed the issue of new ordinary shares to raise approximately £300m through a Premium Listing on the London Stock Exchange on 15 November 2013.

The audited financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of investments. The following accounting policies have been consistently applied:

1.1 Basis of preparation

The Company has presented individual financial statements prepared on a UK Generally Accepted Accounting Practice basis as permitted by the Companies Act 2006, and has adopted the exemption of omitting the profit and loss account conferred by Section 408 of that Act. The retained loss arising in the period amounts to £2.2m (2013: £nil).

All accounting policies have been reviewed for appropriateness in accordance with Financial Reporting Standard ("FRS") 18, Accounting Policies. In accordance with FRS 1, Cash Flow Statements, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that this is provided in its consolidated financial statements. The Company has also taken advantage of the exemption with FRS 29, Financial Instruments: Disclosures, from the requirements of this standard on the basis that the Company's results are included in its consolidated financial statements which include disclosures that comply with IFRS 7, Financial Instruments: Disclosures, which is equivalent to FRS 29.

1.2 Investment income, expenses and charges

Investment income is accrued up to the balance sheet date. Investment expenses are recognised on an accruals basis.

1.3 Taxation

Taxation is based on profits for the period as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods.

Deferred taxation is provided on timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits to utilise carried forward tax losses against which the reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.4 Investments in subsidiary undertakings

Shares in subsidiary undertakings are stated at cost less any provision for diminution in value.

1.5 Financial investments

Financial investments are designated at fair value through profit or loss on initial recognition.

1.6 Share-based payments

The Group offers share award and option plans for certain key employees and a Save As You Earn scheme for all employees. The share-based payment plans operated by the Group are all equity-settled plans. Under FRS 20, Share-based payment, where the Company, as the Parent Company, has the obligation to settle the options or awards of its equity instruments to employees of its subsidiary undertakings, and such share-based payments are accounted for as equity-settled in the Group financial statements, the Company records an increase in the investment in subsidiary undertakings for the value of the share options and awards granted with a corresponding credit entry recognised directly in equity. The value of the share options and awards granted is based upon the fair value of the options and awards at the grant date, the vesting period and the vesting conditions.

2 Investments in subsidiary undertakings

	£m
Shares in Just Retirement Group Holdings Limited	
At 14 June 2013	–
Additions	212.4
At 30 June 2014	212.4

Additions relate to shares issued by Just Retirement Group Holdings Limited.

The Company holds investments in the ordinary shares (unless otherwise stated) of the following subsidiary undertakings:

	Principal activity	Country of incorporation	Percentage of nominal share capital and voting rights held
Just Retirement Group Holdings Limited	Holding Company	England & Wales	100%
Just Retirement (Holdings) Limited ¹	Holding Company	England & Wales	100%
Just Retirement Limited ²	Life assurance	England & Wales	100%
Just Retirement Solutions Limited ²	Distribution	England & Wales	100%
Just Retirement Management Services Limited ²	Management services	England & Wales	100%
TOMAS Acquisitions Limited ²	Holding company	England & Wales	100% ^{4,5}
The Open Market Annuity Service Limited ³	Software solutions	Northern Ireland	100%
TOMAS Online Development Limited ³	Software development	Northern Ireland	100%

1 Subsidiary of Just Retirement Group Holdings Limited.

2 Subsidiaries of Just Retirement (Holdings) Limited.

3 Subsidiaries of TOMAS Acquisitions Limited.

4 Class "A" ordinary shares and class "B" ordinary shares.

5 Remaining ownership of TOMAS Acquisitions Limited (28.3%) was acquired during the year.

3 Reconciliation of movements in shareholders' funds

Details of the Company's ordinary share capital and share premium account are shown in note 21 of the notes to the Group's financial statements.

	Called up share capital £m	Share premium account £m	Shares held by Employee Benefit Trust £m	Profit and loss account £m	Total £m
At 14 June 2013	–	–	–	–	–
Shares issued	50.1	279.1	(0.1)	–	329.1
Capital reduction	–	(279.1)	–	279.1	–
Share-based payments	–	–	–	0.7	0.7
Loss for the period	–	–	–	(2.2)	(2.2)
At 30 June 2014	50.1	–	(0.1)	277.6	327.6

European embedded value

Supplementary financial statements

Just Retirement Group plc has prepared supplementary financial statements for the Group on an EEV basis. The EEV basis results have been prepared in accordance with the European Embedded Value Principles issued by the CFO Forum of European Insurance Companies in May 2004 and disclosure guidance issued in October 2005. Life insurance products are, by their nature, long term and the profit on this business is generated over a significant number of years. Accounting under IFRS alone does not, in the Group's opinion, fully reflect the value of future cash flows. The Group considers that embedded value reporting provides investors with a measure of the future profit streams of the Group's in-force long-term business and is a valuable supplement to statutory accounts.

Summarised statement of comprehensive income

For the year ended 30 June 2014

	Note	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Operating profit for covered business	6	97.7	84.5
Operating loss of distribution company		(0.7)	(1.1)
Operating loss from other Group companies		(16.8)	(37.0)
Operating profit		80.2	46.4
Economic variance	6	106.5	48.2
Profit before tax		186.7	94.6
Tax			
Covered business	6	(45.8)	(31.2)
Other		(0.8)	4.0
Total comprehensive income		140.1	67.4

For the purposes of EEV reporting, the distribution company is considered to be a stand-alone business and its activities do not relate to the sale of Just Retirement Limited products alone. Therefore its losses have not been included on a look-through basis as expenses of the covered business.

Group statement of changes in equity

for the year ended 30 June 2014

	Year ended 30 June 2014			Year ended 30 June 2013		
	Covered business £m	Non-covered business £m	Total £m	Covered business £m	Non-covered business £m	Total £m
Opening Group EEV	491.2	(302.4)	188.8	366.2	(257.5)	108.7
Total comprehensive income for the period	157.9	(17.8)	140.1	100.0	(32.6)	67.4
Exchange of preference shares	–	80.8	80.8	–	–	–
Exchange of loans and loan notes	–	258.4	258.4	–	–	–
Shares issued for cash	–	300.0	300.0	–	–	–
Share issue costs ¹	–	(13.0)	(13.0)	–	–	–
Capital injections	50.0	(50.0)	–	25.0	(13.0)	12.0
Share-based payments	–	4.3	4.3	–	0.7	0.7
Acquisition of non-controlling interest	–	(0.3)	(0.3)	–	–	–
Closing Group EEV	699.1	260.0	959.1	491.2	(302.4)	188.8

¹ Total share issue costs incurred were £18.4m, consisting of £13.0m recognised directly in reserves in the current period, £2.3m recognised in Comprehensive income for the current period, and £3.1m recognised in the prior period.

Group statement of financial position

As at 30 June 2014

	30 June 2014 £m	30 June 2013 £m
Assets		
Value of in-force business	202.5	133.8
Intangible assets	3.8	5.6
Equipment	1.0	1.6
Financial assets	8,054.5	6,475.7
Reinsurance assets	3,681.8	3,522.3
Deferred tax assets	3.8	4.6
Current tax assets	0.6	–
Prepayments and accrued income	91.4	84.4
Insurance and other receivables	5.0	18.1
Cash and cash equivalents	54.4	40.6
Total assets	12,098.8	10,286.7
Equity	959.1	188.8
Liabilities		
Insurance liabilities	7,258.4	6,243.8
Loans and borrowings	51.6	55.2
Other liabilities	3,752.8	3,611.0
Other provisions	7.1	4.0
Current tax liabilities	20.1	7.9
Accruals and deferred income	16.4	16.4
Insurance and other payables	33.3	159.6
Total liabilities	11,139.7	10,097.9
Total equity and liabilities	12,098.8	10,286.7

The notes on pages 121 to 128 form an integral part of these supplementary financial statements.

The supplementary financial statements were approved by the Board of Directors on 17 September 2014 and were signed on its behalf by:

Simon Thomas
Group Finance Director

Shayne Deighton
Group Chief Actuary

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Reconciliation of shareholders' equity on IFRS basis to shareholders' equity on EEV basis

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Shareholders' equity on IFRS basis	852.8	150.1
Asset valuation differences	554.0	397.0
Liability valuation differences	(674.5)	(528.8)
Deferred tax	24.3	36.7
Value of in-force business	202.5	133.8
Shareholders' equity on EEV basis	959.1	188.8
Analysis of ordinary shareholders' equity		
IFRS basis ordinary shareholders' equity	852.8	150.1
Additional retained profit on an EEV basis	106.3	38.7
Shareholders' equity on EEV basis	959.1	188.8

The asset valuation differences of £554.0m (2013: £397.0m) are caused largely by the different valuation of the lifetime mortgages under IFRS compared to EEV and the removal of intangible assets recorded under IFRS, which are not recognised on the EEV basis. The liability valuation differences of £(674.5)m (2013: £(528.8)m) are caused largely by the different discount rates used to value the annuitant liabilities. A higher discount rate arises in IFRS due to the lower value placed on the lifetime mortgages.

Notes to the European embedded value

Supplementary financial statements

1 Basis of presentation

The Group's primary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Group has also prepared these supplementary financial statements that have been prepared in accordance with the European Embedded Value Principles.

As explained in note 1 to the IFRS consolidated financial statements, during the period the Group has performed a reorganisation whereby JRGL has been replaced by Just Retirement Group plc ("JRG") as the Group holding company and has subsequently completed a premium listing on the London Stock Exchange. These supplementary financial statements are presented as a continuation of the supplementary financial statements of JRH, the previous intermediate Group holding company. The comparatives have been adjusted to reflect consolidation adjustments at JRGL.

The EEV basis results have been prepared in accordance with the EEV principles issued in May 2004 by the European Insurance CFO Forum (the "CFO Forum"), and supplemented by the Additional Guidance on EEV Disclosures published in October 2005. The Group has in addition adopted a method for calculating the liquidity premium consistent with that proposed in the March 2010 paper published by the Committee of European Insurance and Occupational Pensions Supervisors, ("CEIOPS") in conjunction with the CFO Forum and the CRO Forum (a professional risk management group that focuses on developing and promoting industry best practices in risk management primarily in the insurance industry). The Directors believe that the supplementary statements appropriately reflect its underlying profitability whilst continuing to adhere to EEV Principles.

The Directors' view is that embedded value reporting provides shareholders with additional information on the financial position and current performance of the Group to that otherwise provided in the primary financial statements. Under the EEV method, the total profit recognised over the lifetime of a policy is the same as that recognised under alternative reporting bases, but the timing of recognition is different.

The Group uses EEV methodology to value all lines of insurance business within Just Retirement Limited ("JRL", or the "Company"), the covered business of the Group. No other Group companies contain any covered business and the value of these companies has been included in the Group EEV at IFRS net asset value less the value of goodwill and intangibles to the extent that their recovery is supported by future profits.

The Directors of the Group are responsible for the preparation of these supplementary financial statements.

2 Methodology

The following methodology applies to the covered business of the Group.

A. Embedded value overview

In reporting under the EEV Principles, the Group has chosen to adopt a "bottom-up" approach to the allowance for risk. The approach makes an explicit allowance for part of the spread (that part being referred to as "liquidity premium") expected to be earned on corporate bonds. This has been achieved by increasing the discount rate used for valuing annuity liabilities by that liquidity premium.

The embedded value is the sum of adjusted net worth of the Group companies, plus the value of in-force covered business, this being the present value of profits that will emerge over time.

The net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the long-term business fund. The shareholders' net assets in respect of the life company have been derived from the annual regulatory returns submitted to the Prudential Regulation Authority ("PRA"). The net worth represents the market value of the assets of the life company in excess of the insurance and non-insurance liabilities of the life company as assessed on the regulatory basis. For other Group companies, the net worth is the IFRS net asset value less the value of goodwill and intangibles to the extent that their recovery is supported by future profits.

The value of in-force business is the present value of projected after-tax profits emerging in future from the current in-force business less the cost arising from holding the required capital to support the in-force business. The future cash flows are projected using best estimate assumptions for each component of the cash flow.

The value of new business is the present value of projected after-tax profits emerging in future from new business sold in the period less the cost arising from holding additional capital to support this business. The figures shown also include the additional expected return between the point of sale and the reporting date.

B. Covered business

The business to which the EEV Principles have been applied is defined as the covered business. The covered business includes all business written by the life company. In particular:

- Long-term business operations. This is business falling under the definition of long-term insurance business for UK regulatory purposes and principally comprises:
 - Pension lifetime annuities;
 - Fixed term pension annuity contracts;
 - Defined Benefit Scheme contracts; and
 - Immediate Needs Annuities

In addition, some purchased life annuity business has been written, but this has not been written in significant volumes. Although it has been allowed for in the calculations, it has not been explicitly modelled. The impact of this approximate treatment is not material.

- Lifetime mortgages. These are held as investments to back the pension annuity contracts.

Notes to the European embedded value continued

Supplementary financial statements

2 Methodology continued

C. New business

All of the covered business is written on a single premium basis. New business is defined to be all single premiums received in the period in respect of annuity policies completed in the period and all cash advances made during the period in respect of lifetime mortgages. No allowance is made in the embedded value for the value of any future new business written after the reporting date.

For the value of new business, the Group has used economic assumptions determined at point of sale and has generally used opening period non-economic assumptions. The Group considers point of sale economic assumptions, rather than economic assumptions determined at either the opening or closing dates, to be more appropriate given the nature of its business.

Any changes to non-economic assumptions and methodology in respect of new business are introduced at the reporting date. The impact of these changes on the value of new business at the end of the year is therefore included within the analysis of the embedded value profit in the operating assumption changes.

D. Components of value

The values of in-force business and new business each comprise four components:

- Certainty equivalent value; less
- Time value of financial options and guarantees; less
- Allowance for non-market risk; less
- Cost of capital.

(i) Certainty equivalent value

The certainty equivalent value is the value of the future cash flows, excluding the time value of financial options and guarantees. It is calculated assuming assets earn the reference rate and the cash flows are discounted at the reference rate.

The future cash flows are those arising from the assets backing the liabilities as assessed on a regulatory basis and from the liabilities themselves. The projection of the regulatory liabilities assumes the continuation of the bases used to calculate the liabilities at the valuation date.

The regulatory equivalent of the value of the provision for the guarantee described in (ii) below is included in the shareholders' net assets and this is reversed out in the certainty equivalent value.

(ii) Time value of financial options and guarantees

The only material financial options and guarantees within the covered business arise from the no-negative equity guarantee under the lifetime mortgage business. Under this guarantee, the amount recoverable by the Group on termination of the mortgage is generally capped at the net sale proceeds of the property. Circumstances where this guarantee does not apply are those where the mortgage redemption is not accompanied by a sale of the underlying property. This could occur when, for example, the property is remortgaged with another provider.

This guarantee is explicitly allowed for in the calculations. The value of this guarantee has been estimated using a variant of the Black-Scholes option pricing formula. The formula incorporates a number of assumptions, including those for risk-free rates, future property growth and property volatility.

The value of the financial options and guarantee shown in the presentation is the total value of this guarantee, net of tax, assessed on a realistic basis (it includes any intrinsic value in the option).

(iii) Allowance for non-market risk

The key non-market (or diversifiable) risks faced by the Company are mortality (including longevity), early redemptions on lifetime mortgages and operational risks. In principle no explicit adjustment is required for non-market risks because the capital markets do not require an additional return for risks which can be diversified away. However, this is only true if the assumptions made as regards future experience are set so as to give the mean of the expected outcome (including allowing for the tails of the distribution) and that all cash flows have been allowed for.

The Company has set the assumptions in respect of mortality and lifetime mortgage early redemptions with the intention that they give the mean of the expected outcome, including allowing for the tails of the distribution. As such, no further adjustment has been made in respect of these risks.

However, the certainty equivalent value and the time value of financial options and guarantees make no allowance for the cost of possible operational risks and the Company has made an explicit allowance for these risks.

In the valuation approach used, the market (or non-diversifiable) risks faced by the Company are allowed for directly in the valuation of the cash flows.

(iv) Cost of capital

In addition to holding assets to back the covered business, the Company also has to hold additional shareholder capital to support the business. The amount of capital has been assessed taking into account the Company's own internal assessment of its capital requirements and the amount required under the UK Solvency I regulatory environment.

The cost of capital represents the frictional costs of having to retain this capital. The Group has taken these frictional costs to be any tax payable in respect of future investment returns earned on this capital and the associated investment management costs.

The required capital is provided by the retained surplus in the long-term business fund and the retained earnings and issued share capital in the shareholder fund.

2 Methodology continued

E. Valuation of cash flows

Within the calculation of the value of in-force business and value of new business, the reference rate used for valuing the annuity cash flows has been set equal to the mid-market swap rate, plus a liquidity premium adjustment. The same rate has been used to value the lifetime mortgage cash flows deemed to be backing the annuity business. All other cash flows (including those from the lifetime mortgages that are not deemed to back the annuity business and those underlying the calculation of the cost of capital) have been valued using the mid-market swap rate, as the reference rate.

(i) In-force business

For the in-force business the liquidity premium adjustment has been derived from the iBOXX Sterling Corporate Bond Index. The liquidity premium is calculated as 50% of the Index Asset Swap Margin at the relevant reporting date less 40bp, with that result then subject to rounding.

(ii) New business

For new business written during the financial year the liquidity premium varies by the month of policy inception. The liquidity premium adjustment applied to each month's new business is consistent with the approach adopted for in-force business except that the value of the Index Asset Swap Margin for each month's new business is a weighted average for the month using the amounts of annuity premium received each day as the weights.

In the calculations it has been assumed that each month's new lifetime mortgage business is available to match part of that month's new annuity business and the remaining new annuity cash flows are backed by bonds.

F. Reinsurance

The Group has put in place reinsurance arrangements in respect of the annuity business, whereby part of the mortality risk is transferred to the reinsurers. In addition the Group receives an initial financing payment which is repayable out of future surplus emerging. Some associated initial and renewal fees are also payable to the reinsurers.

The face value of the amount owed to the reinsurers at the relevant reporting date together with all management fees expected to be paid in the future has been explicitly allowed for in the value of the in-force business at the reporting date.

The risk transfer is not reflected in the EEV because, on the assumptions used, the Group expects to recapture the treaty once remaining financing has been repaid.

The Group has put in place separate reinsurance arrangements for the defined benefit and immediate needs annuity business. Part of the mortality risk is transferred to the reinsurers by means of a mortality swap arrangement where JRL will pay reinsurance premiums equal to their share of expected claims according to the reinsurers' mortality assessment, and the reinsurers will pay reinsurance claims equal to their share of actual payments made.

G. Taxation

The projected cash flows take into account all tax which the Company expects to pay. The calculations are undertaken assuming current tax legislation and rates continue unaltered.

Embedded value profits have been calculated on an after-tax basis and have then been grossed up at the full corporation tax rate to arrive at a pre-tax level for reporting in the Summarised statement of comprehensive income.

3 Assumptions

A. Economic assumptions

Reference rates

The term structure of the reference rates has been derived from mid-market swap rates. The resulting rates reflect the shape of the swap rate curve. For new business the rates have been derived from the swap rates applicable on the date each payment was received for annuity policies or the date each mortgage advance was completed as appropriate.

Sample mid-market swap rates at 30 June 2014 and 30 June 2013 are shown in the following table:

Swap rates (at sample terms, %)					
Term (years)	1	5	10	20	30
30 June 2014	0.9	2.2	2.8	3.2	3.2
30 June 2013	0.7	1.5	2.6	3.2	3.3

The in-force liquidity premium adjustment as at 30 June 2014 was 51bp (2013: 77bp). The liquidity premium adjustment for each month's new business has varied over the financial year but the effect is equivalent to an average adjustment of 59bp (2013: 84bp) for each month's new business.

Residential property assumptions

When calculating the value of the no-negative equity guarantee on the lifetime mortgages, certain economic assumptions are required within the variant of the Black-Scholes formula.

The market against which to assess these assumptions and calibrate the cost of the no-negative equity guarantee at any point in time is neither deep nor liquid. The Group has therefore set these assumptions taking into account information available to it from within the capital markets linked to the assessment of the indicative costs of hedging out such exposures and published UK residential property historic price movements.

Notes to the European embedded value continued

Supplementary financial statements

3 Assumptions continued

A. Economic assumptions continued

In the formula the risk-free rate used is the mid-market swap rate.

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has assumed that residential property will grow in line with a bespoke house price inflation curve. This has been derived by reference to mid-market UK retail price inflation swap rates together with an explicit term dependent house price inflation spread.

Sample mid-market house price inflation rates at 30 June 2014 and 30 June 2013 are shown in the following table:

House price inflation rates (at sample terms, %)

Term (years)	1	5	10	20	30
30 June 2014	(2.1)	1.3	3.4	4.2	4.2
30 June 2013	(3.9)	1.0	3.3	4.3	4.3

In deriving an assessment of long-term UK residential property price volatility, the Group has used house price data published by the Nationwide Building Society. The Group has adjusted the derived value to allow for the additional volatility expected to be observed in the Company's portfolio compared with the market as a whole. The volatility assumption used at 30 June 2014 was 9.8% p.a. (2013: 9.9% p.a.). The volatility assumption used for new business was 9.9% p.a.

Expense inflation

For the annuities, the assumed future rate of increases in per policy maintenance expenses is 3.7% p.a. (2013: 3.7% p.a.).

For the lifetime mortgages, the assumed future rate of increases in maintenance expenses is 3.9% p.a. (2013: 4% p.a.).

The difference reflects the difference in average duration of the cash flows and the shape of the RPI curve at the valuation date.

Taxation

The rate of corporation tax assumed is 22.5% throughout being the effective weighted average tax rate for the financial year (2013: 23.75%).

B. Operating assumptions

Operating assumptions have been reviewed as part of the reporting process.

Mortality

The mortality assumptions have been set by the Group taking into account the Company's own mortality experience together with relevant studies undertaken by the Continuous Mortality Investigation Bureau of the Institute and Faculty of Actuaries ("CMI"), population studies undertaken by offices of the UK Government, published research materials, input from the Group's lead reinsurer and management's own industry experience.

For the annuity policies the mortality assumptions are based on the PCMA00 (males) and PCFA00 (females) mortality tables and the CMI 2012 model improvement factors. These base factors are overlaid by a series of underwriting factors applied to the base mortality rates. These adjustments are made to reflect the nature and likely incidence of the underlying risks inherent within the business written. These assumptions are unchanged from those used as at 30 June 2013.

For Defined Benefit annuity policies the mortality basis is set with reference to the base table and mortality improvement rates provided by RGA (i.e. the reinsurer with whom each DB scheme is reinsured).

For Immediate Needs annuity policies the mortality basis is set with reference to the table provided by Gen Re (i.e. the reinsurer with whom each INA policy is individually underwritten).

For the lifetime mortgages the mortality assumptions are based on the PCMA00 and PCFA00 mortality tables and the CMI 2012 model improvement factors. These assumptions have been updated from those used at 30 June 2013 to reflect the emerging experience on this business.

For Lump Sum Plus mortgages on standard terms the same mortality basis applies as used for the normal roll-up business. The underlying basis for the underlying mortgages is the same, with adjustments applied to reflect the nature and likely incidence of the underlying risks.

Mortgage repayments

Assumptions are made about the number of future mortgage repayments resulting from individuals moving into long-term care or through voluntary repayments. When deriving appropriate assumptions the Group has taken into account its own experience together with other relevant available information.

The decrement for moving into long-term care is expressed as a proportion of the underlying mortality assumption for the relevant lives.

The decrement for voluntary repayments is expressed as annual percentages of the portfolio in force and exhibits a term structure based on duration in force. These assumptions have been updated from those used at 30 June 2013 to reflect the emerging experience on this business.

3 Assumptions continued

B. Operating assumptions continued

Expenses

The expense levels are based on internal expense analysis investigations and are appropriately allocated to the new business and policy maintenance functions. Acquisition expenses have been fully allocated to the values of new business for each product.

The Group has set maintenance expense allowances for each product which it considers to be realistic.

In calculating the embedded value, an adjustment has been made equal to the net present value of any expected future maintenance expense overruns.

Investment expenses have been set by reference to the expenses payable under the investment management arrangements.

Some of the expenses incurred in the financial period to 30 June 2014 have been considered exceptional and one-off in nature. These exceptional expenses have been identified separately and have not been included in the calculation of the value of in-force business or in the value of new business although they have been reflected in the operating profit. Total exceptional expenses for the year ended 30 June 2014 were £10.8m (2013: £5.8m).

The look-through principle has not been applied to the losses in the Distribution Company arising from the sale of products arising from the covered business, and so these losses have not been included as a deduction against the value of new business. The Distribution Company is considered to be a stand-alone business and its activities do not relate solely to the sale of JRL products. The recognised loss in the Distribution Company has been accounted for on an IFRS basis, separately to the results of the covered business.

The remaining expenses are included within operating results of the Distribution and other Group companies and have been accounted for on an IFRS basis.

Non-market risk

At 30 June 2014 the provision for non-market risk has been established as 0.18% of the mathematical reserves in respect of annuity business.

At 30 June 2013 the provision was 0.22% of the mathematical reserves in respect of annuity business. For the value of new business in the period to 30 June 2014, a deduction of 0.22% of gross statutory reserves at point of sale has been applied.

Required capital

At 30 June 2014 the assumed level of required capital to support the business represents 175% of JRL's long-term insurance capital requirement ("LTICR") together with 175% of the resilience capital requirement ("RCR"), as set out in PRA regulations. At 30 June 2013 the assumed level of required capital to support the business represented 140% of the LTICR and 140% of the RCR.

4 Group embedded value

The following table sets out the Group embedded value as at the current and previous reporting dates:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Just Retirement Limited		
Shareholders' net assets	496.6	357.4
Value of in-force business		
– Certainty equivalent value	293.6	214.6
– Time value of financial options and guarantees	(45.1)	(46.1)
– Allowance for non-market risk	(10.0)	(10.2)
– Cost of capital	(36.0)	(24.5)
Value of in-force business	202.5	133.8
Embedded value of Just Retirement Limited	699.1	491.2
Net assets/(liabilities) of other Group companies	260.0	(302.4)
Group embedded value	959.1	188.8

Based on the appropriate year-end assumptions, as set out above, the amount of required capital as at 30 June 2014 was £501.5m (2013: £337.8m). The free surplus of Just Retirement Limited at 30 June 2014 was £(4.9)m (2013: £19.6m).

Notes to the European embedded value continued

Supplementary financial statements

5 After-tax value of new covered business of JRL

The following table sets out the after-tax value of the new business for the financial years ended 30 June 2014 and 30 June 2013:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Certainty equivalent value	131.7	114.8
Time value of financial options and guarantees	(8.9)	(6.7)
Allowance for non-market risk	(2.0)	(2.3)
Cost of capital	(5.9)	(5.3)
Value of new business	114.9	100.5

During the year ended 30 June 2014 the amount of required capital for new business was £73.7m (2013: £69.3m).

6 Covered business analysis of movement in gross of tax embedded value of JRL

The following table sets out an analysis of the embedded value profit for the year ended 30 June 2014 together with the comparative figures for the year ended 30 June 2013. In order to explain better the movement in capital flows, the composition of the embedded value profit for the current year is shown separately between the movement in free surplus, required capital and the value of in-force business.

	Free surplus £m	Required capital £m	Value of in-force business £m	Total for year ended 30 June 2014 £m	Total for year ended 30 June 2013 £m
Opening embedded value	19.6	337.8	133.8	491.2	366.2
Expected return on opening embedded value	0.2	3.2	40.3	43.7	56.8
Expected surplus from in-force business	13.2	(12.2)	(1.0)	—	—
New business contribution	(15.0)	73.7	89.5	148.2	131.8
Operating experience variance	(20.9)	0.5	(19.1)	(39.5)	(18.2)
Operating assumption changes	(103.0)	101.1	(43.3)	(45.2)	(82.9)
Interest on Tier 2 loan	(9.5)	—	—	(9.5)	(3.0)
Operating profit for covered business	(135.0)	166.3	66.4	97.7	84.5
Economic variance ¹	86.4	(2.6)	22.2	106.0	46.7
Embedded value profit before tax	(48.6)	163.7	88.6	203.7	131.2
Tax	(25.9)	—	(19.9)	(45.8)	(31.2)
Profit after tax	(74.5)	163.7	68.7	157.9	100.0
New capital	50.0	—	—	50.0	25.0
Closing embedded value	(4.9)	501.5	202.5	699.1	491.2

¹ The economic variance of £106.5m (2013: £48.2m) reported in the Group Statement of comprehensive income includes £0.5m (2013: £1.5m) in respect of the fair value movement on the interest rate swap derivatives held by Just Retirement (Holdings) Limited.

The “expected return on opening embedded value” is the expected change in the embedded value resulting from a projection of the assets and liabilities over the period using expected “real world” investment returns.

The “expected surplus from in-force business” represents the surplus expected to emerge during the period from business that was in-force at the beginning of that period. The effect is a transfer of value between the value of in-force business and shareholders’ net assets, with the overall effect on the embedded value being zero.

The “new business contribution” is the value of new business at the point of sale, together with the expected return on this value between the point of sale and the end of the period.

The “operating experience variance” represents the profits and losses caused by differences between the actual experience during the period and that expected on the operating assumptions, relating to both the business in-force at the start of the period and new business written.

The “operating assumption changes” reflect changes in the assumptions in respect of future operating experience between the start and end of the period.

6 Covered business analysis of movement in gross of tax embedded value of JRL continued

The "economic variance" arises from the impact of differences between the actual investment returns in the period and the expected investment returns, and the impact of the change to the end of period future economic assumptions. Further impacts have arisen between the shareholders' net assets and value of in-force business figures due to changes in the economic assumptions used in the regulatory reserving bases. All of these impacts are calculated in relation to the start of period economic assumptions for business in-force at the start of the period and point of sale economic assumptions for new business sold in the period.

7 Operating experience variances before tax for JRL

An analysis of the key operating experience variances before tax is set out in more detail in the following table:

	Shareholders' net assets £m	Value of in-force business £m	Total for year ended 30 June 2014 £m	Total for year ended 30 June 2013 £m
Reinsurance arrangements	6.1	(11.4)	(5.3)	(0.1)
Maintenance and investment expenses	(7.2)	–	(7.2)	(7.0)
Exceptional expenses	(10.8)	–	(10.8)	(5.8)
Tax variances	(2.1)	–	(2.1)	(0.5)
Experience variances	(6.4)	(7.7)	(14.1)	(4.8)
Total operating experience variances	(20.4)	(19.1)	(39.5)	(18.2)

8 Operating assumption changes before tax for JRL

An analysis of the operating assumption changes item before tax is set out in more detail in the following table:

	Shareholders' net assets £m	Value of in-force business £m	Total for year ended 30 June 2014 £m	Total for year ended 30 June 2013 £m
Annuitant mortality assumptions	–	–	–	(82.3)
Maintenance expenses	0.5	–	0.5	(0.1)
Mortgage assumption	(0.2)	(46.3)	(46.5)	(4.0)
Tax	–	3.5	3.5	2.9
Non-market risk	–	2.9	2.9	0.6
Cost of capital	–	(10.2)	(10.2)	–
Reinsurance changes	(2.5)	(1.6)	(4.1)	–
Non-policy reserves	–	9.6	9.6	–
Model changes	0.3	(1.2)	(0.9)	–
Total operating assumption changes	(1.9)	(43.3)	(45.2)	(82.9)

The tax item reflects the change from the effective tax rate used at the previous reporting date (23.75%) to the rate used at this reporting date 22.5%.

9 Sensitivities

The Group embedded value at 30 June 2014 and the value of new business for the year to 30 June 2014 have been recalculated to show the sensitivity of the results to changes in certain of the assumptions discussed above.

Most of the sensitivities are as prescribed by the additional guidance provided by the CFO Forum in October 2005. There is no lapse/surrender risk for the annuities and so no sensitivity to this assumption has been shown for this business. The sensitivities chosen do not represent the boundaries of possible outcomes, nor are they intended to represent events of equal likelihood, but rather illustrate how certain alternative assumptions would affect the results.

For each of the sensitivities all the other assumptions remain unchanged, unless otherwise stated. In all of the sensitivities, the statutory reserving basis was left unchanged, except for the first two where the valuation rate of interest was changed to reflect the sudden change in economic conditions.

Notes to the European embedded value continued

Supplementary financial statements

9 Sensitivities continued

The sensitivities tested were:

- Interest rates 1% lower than in the central case with resulting changes in asset values and reference rates. The impact for the values of new business has not been calculated for this sensitivity as the Group actively reviews its premium rates and in the event of such a sudden change in economic conditions the Group would change its rates;
- Interest rates 1% higher than in the central case with resulting changes in asset values and reference rates;
- Reference rates 10bp lower than in the central case, with no change in asset values. The purpose of this sensitivity is to illustrate the impact of using a different definition of the reference rate than basing it on mid-market swap rates;
- Credit spreads (represented by the difference between corporate bond yields and swap rates) 10bp narrower than in the central case. For this sensitivity there is no change to the liquidity premium;
- Credit spreads 10bp wider than in the central case. For this sensitivity there is no change to the liquidity premium;
- Liquidity premium 10bp lower than in the central case;
- Property market values 10% lower than in the central case;
- Implied property volatility assumption 125% of the assumption in the central case;
- Implied property volatility assumption 75% of the assumption in the central case;
- Annuitant base mortality 5% lower than in the central case (i.e. 95% of the central mortality rates);
- Lifetime mortgage base mortality 5% lower than in the central case (i.e. 95% of the central mortality rates). For this sensitivity, the allowance for moving into long-term care is also assumed to be 5% lower;
- Lifetime mortgage voluntary redemption assumption 10% lower than in the central case (i.e. 90% of the base case assumption);
- Maintenance expenses 10% lower than in the central case (i.e. 90% of base case costs) including the resulting reduction in the maintenance expense overrun;
- Corporation tax rate set to 21.5% (i.e. 1% lower than in the central case); and
- Required capital equal to 100% of the LTICR plus 100% of the RCR.

Sensitivity of values to changes in assumptions

	Embedded value at 30 June 2014 £m	Value of new business for year ended 30 June 2014 £m
Central value	959.1	114.9
Impact of:		
• 1% reduction in yield curves	83.5	n/a
• 1% increase in yield curves	(66.9)	n/a
• 10bp reduction in reference rate	(9.4)	(1.7)
• 10bp reduction in credit spreads	20.3	n/a
• 10bp increase in credit spreads	(20.1)	n/a
• 10bp reduction in liquidity premium	(18.0)	(3.7)
• 10% reduction in property values	(18.9)	(5.0)
• 125% of implied property volatilities	(37.0)	(10.0)
• 75% of implied property volatilities	24.3	5.2
• 5% reduction in annuitant base mortality	(68.9)	(6.9)
• 5% reduction in lifetime mortgage base mortality	18.7	3.8
• 10% reduction in lifetime mortgage voluntary redemptions	18.7	2.1
• 10% reduction in maintenance expenses	11.6	2.3
• 1% reduction in corporation tax rate	4.1	1.9
• Required capital equal to 100% of LTICR plus 100% of RCR	15.3	2.8

Statement of Directors' responsibilities

In respect of the European Embedded Value ("EEV") basis supplementary financial statements

The Directors of Just Retirement Group plc have chosen to prepare supplementary financial statements in accordance with the European Embedded Value Principles published by the CFO Forum in May 2004 and the Additional Guidance on European Embedded Value Disclosures published by the CFO Forum in October 2005 (together, "EEV Principles").

When compliance with the EEV Principles is stated, those Principles require the Directors to prepare supplementary financial statements in accordance with the methodology contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

In preparing the EEV supplementary financial statements, the Directors have:

- Prepared the supplementary financial statements in accordance with the EEV Principles;
- Identified and described the business covered by the EEV Principles;
- Applied the EEV Principles consistently to the covered business;
- Determined assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently; and
- Made estimates that are reasonable and consistent.

KPMG Audit Plc report to Just Retirement Group plc

On the EEV supplementary financial statements

Just Retirement Group plc has prepared supplementary financial statements, and related notes, for the financial year ending 30 June 2014 in accordance with the European Embedded Value Principles published by the CFO Forum in May 2004 and the Additional Guidance on European Embedded Value Disclosures published by the CFO Forum in October 2005 (together, "EEV Principles"). These EEV supplementary financial statements are shown on pages 118 to 128.

KPMG Audit Plc has been engaged by Just Retirement Group plc to review the EEV supplementary financial statements. This report is addressed to Just Retirement Group plc and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than Just Retirement Group plc for or in connection with our review work, for the opinions we have formed, or for any statement set forth in this report.

Scope of work

We have reviewed the methodology and assumptions used by Just Retirement Group plc to calculate the EEV results, in the light of the requirements of the EEV Principles.

We have also carried out a number of analytical checks on the EEV results in order to satisfy ourselves that the results have been compiled in a manner consistent with the methodology and assumptions disclosed in the EEV supplementary financial statements on pages 121 to 125. However, the scope of our work did not include detailed checking of the models and processes involved in the preparation of the EEV results.

We have also reviewed the overall adequacy of the presentation of the EEV supplementary financial statements, in the light of the requirements of the EEV Principles.

In carrying out our review we have relied on data and information provided by Just Retirement Group plc without independent verification.

Opinion

In our opinion, and on the basis of the scope of work above, we have concluded that the EEV supplementary financial statements for the financial year ending 30 June 2014 have been prepared, in all material respects, in accordance with the EEV Principles, using the methodology and assumptions set out on pages 121 to 125.

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
17 September 2014

Information for shareholders

Financial calendar 2014/15

Annual General Meeting	25 November 2014
Record date for proposed final dividend	14 November 2014
Payment of final dividend, subject to shareholder approval	8 December 2014
Expected date of announcement of interim results for the six months ending 31 December 2014	February 2015
Announcement of results	September 2015
Annual General Meeting	November 2015

Investor relations enquiries

For all investor relations enquiries about the Company, please contact our Investor Relations department at the Registered Office address shown on the inside back cover.

Shareholders can keep up-to-date with all the latest Just Retirement Group plc news and events by registering with our Alert Service <http://justretirementgroup.com/investors/alert-service.aspx>. Just select the information of interest to you, such as Company results, trading updates, shareholder meetings or regulatory updates, and you will then be notified by e-mail when this information is available to view on our website. Individual shareholders with queries regarding their shareholding in Just Retirement Group plc should contact our Registrar, Equiniti Limited.

Further copies of our Annual Report and Accounts can be obtained by contacting the Group Company Secretary's office at the Registered Office address on the inside back cover.

Shareholder profile as at 30 June 2014

Holdings	Number of holders	% of holders	Number of shares	% of issued share capital
1–5,000	88	27.6%	141,535	Less than 0.1%
5,001–10,000	26	8.2%	209,106	Less than 0.1%
10,001–100,000	84	26.3%	2,971,814	0.6%
100,001–1,000,000	76	23.8%	24,554,521	4.9%
1,000,001–10,000,000	40	12.5%	106,260,271	21.2%
10,000,001–20,000,000	4	1.3%	54,819,831	10.9%
Over 20,000,001	1	0.3%	311,873,992	62.3%
Totals	319	100.0%	500,831,070	100.0%

Just Retirement Group plc share price

Just Retirement's ordinary shares have a premium listing on the London Stock Exchange are listed under the symbol JRG. Current and historical share price information is available on our website <http://justretirementgroup.com/investors/shareholder-information/share-monitor> and also on many other websites.

Warning about unsolicited approaches to shareholders and "boiler room" scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in UK investments. These operations are commonly known as "boiler rooms". These "brokers" can be very persistent and persuasive. Just Retirement Group plc shareholders are advised to be extremely wary of such approaches and advised to only deal with firms authorised by the UK Financial Conduct Authority ("FCA"). You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling 0845 606 1234.

Registrar

The Company's register of shareholders is maintained by our Registrar, Equiniti Limited. All enquiries regarding shareholder administration including dividends, lost share certificates or changes of address should be communicated in writing, quoting Just Retirement Group plc's Company reference number 3947 to the address on the inside back cover or by calling 0871 384 2030 for callers from the UK (calls to this number are charged at 8 pence per minute plus network extras. Lines are open 8.30am to 5.30pm Mondays to Fridays, excluding UK Bank Holidays) or +44 (0)121 415 7047 for callers from outside the UK. Shareholders can also view and manage their shareholdings online by registering at www.shareview.co.uk/myportfolio.

Information for shareholders

continued

Dividend mandates

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, please contact our Registrar, Equiniti Limited.

Cautionary statement

This Annual Report has been prepared for, and only for, the members of Just Retirement Group plc (the "Company"), as a body, and for no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated.

The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Directors and advisers

Directors

Tom Cross Brown	Independent Non-executive Chairman
Keith Nicholson	Senior Independent Director
Les Owen	Independent Non-executive Director
Kate Avery	Independent Non-executive Director
Michael Deakin	Independent Non-executive Director
James Fraser	Non-executive Director
Rodney Cook	Chief Executive Officer
Simon Thomas	Group Finance Director
Shayne Deighton	Group Chief Actuary

Group Company Secretary

Martin Smith

Registered and head office

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Auditor

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15 Canada Square
London E14 5GL

Corporate lawyers

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60 Chiswell Street
London EC1Y 4AG

Registrar

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Aspect House
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Lancing
West Sussex BN99 6DA