justretirement

Just Retirement Group plc
Annual report and accounts 2015

Just
Retirement for everyone

"You've worked hard to build a secure future, so it's only right that you should get as much out of retirement as you've put in"

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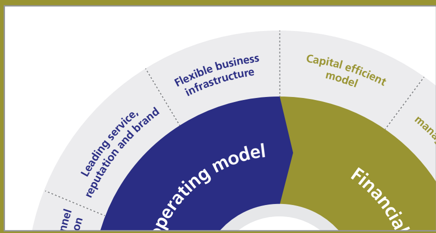

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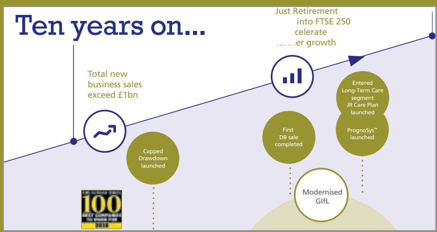

P04
Our journey

Our ten year journey of innovation and growth to become market leaders.

"New business sales amounted to £1,456m for the year ended 30 June 2015, including a five-fold increase in sales of Defined Benefit De-risking Solutions"

Rodney Cook
Chief Executive Officer

P28
CEO review

We have diversified our business through continued innovation to deliver another year of growth.

Strategic report

Governance

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Cross linking
Throughout this document we have linked content together in order to provide a more comprehensive report inside the Strategic Report, Governance Report and Financial Statements

These sections, taken together, comprise the Strategic Report in accordance with the (UK) Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013

All Just Retirement Group plc regulatory announcements, shareholder information and news releases can be found on our Group website, **www.justretirementgroup.com**

Established in 2004, Just Retirement is a specialist UK financial services group focusing on attractive segments of the UK retirement income market. Just Retirement is a leading and established provider of retirement income products and services to individual and corporate clients

Financial and operational highlights

Retirement Income sales
£1,099m
£1,201m FY 2014

Lifetime Mortgage advances
£308m
£476m FY 2014

IFRS underlying operating profit
£86m
£97m FY 2014

Group embedded value
£1,019m
£959m at 30 June 2014

Economic capital coverage ratio
176%
178% at 30 June 2014

Full year dividend
3.3p
In line with stated policy

Financial investments
£8.5bn
£7.5bn at 30 June 2014

New products launched
2 Launched modern Guaranteed Income for Life Solutions and a Flexible Pension Plan on a leading drawdown platform, diversifying our offering to five distinct financial products

Distribution deals
3 Partnerships launched to provide products and services to life insurance companies

Customers
>290,000

Person-years of experience data
>1 million
30% higher than FY 2014

New service launched
Advice
Retirement-focused regulated advice service

At a glance

We have achieved market leadership with a range of innovative products and through our professional services businesses, Just Retirement Solutions ("JRS") and The Open Market Annuity Service ("TOMAS")

Competitive position

- New entrant
- Developing
- A leader

Professional services

	What we offer customers	Competitive position
JRS – Retirement advice A regulated financial advice service for people who want a personal recommendation on how to use their pension savings.	Just Retirement has developed an innovative approach enabling people with modest pension savings to access an affordable regulated advice service.	New entrant
JRS – LTM advice A regulated financial advice service for people wanting a personal recommendation when considering releasing some of the value from their home.	Just Retirement delivers face to face nationwide advice at a time and place to suit the client.	A leader
TOMAS Support for organisations wanting to deliver whole-of-market shopping around services to source retirement income products for their customers, employees or pension scheme members.	A range of business services tailored to the needs of the organisation, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.	A leader

Marketed products

Defined Benefit De-risking Solutions ("DB")

Solutions for pension scheme trustees to remove the financial risks of operating pension schemes and create certainty that members' pensions will be paid in the future.

What we offer customers

Just Retirement's innovative approach to use individual medical underwriting in this segment delivers better prices for trustees.

Competitive position

Guaranteed Income for Life Solutions ("GIfL")

A solution for a person (or couple) who want the security of knowing they will receive a guaranteed income for life.

What we offer customers

By using our unrivalled intellectual property, Just Retirement provides an individually tailored solution providing customers typically with 25% more income compared to standard products.

Competitive position

Flexible Pension Plan ("FPP")

A solution for a customer wanting to retain greater flexibility from their pension savings by enabling irregular withdrawals.

What we offer customers

Just Retirement's Flexible Pension Plan has been developed to enable people with modest pension savings access to an affordable service. The FPP can be used in conjunction with GIfL enabling customers to mix and match to meet their needs.

Competitive position

Lifetime mortgages ("LTM")

Solutions designed for people who want to release some of the value of their home.

What we offer customers

The Group currently provides a range of lifetime mortgages that equip people with the financial resources to meet a range of needs in later life.

Competitive position

Care Plans ("CP")

A solution for people moving to residential care who want the security of knowing a regular payment will be made to the care provider for the rest of their life.

What we offer customers

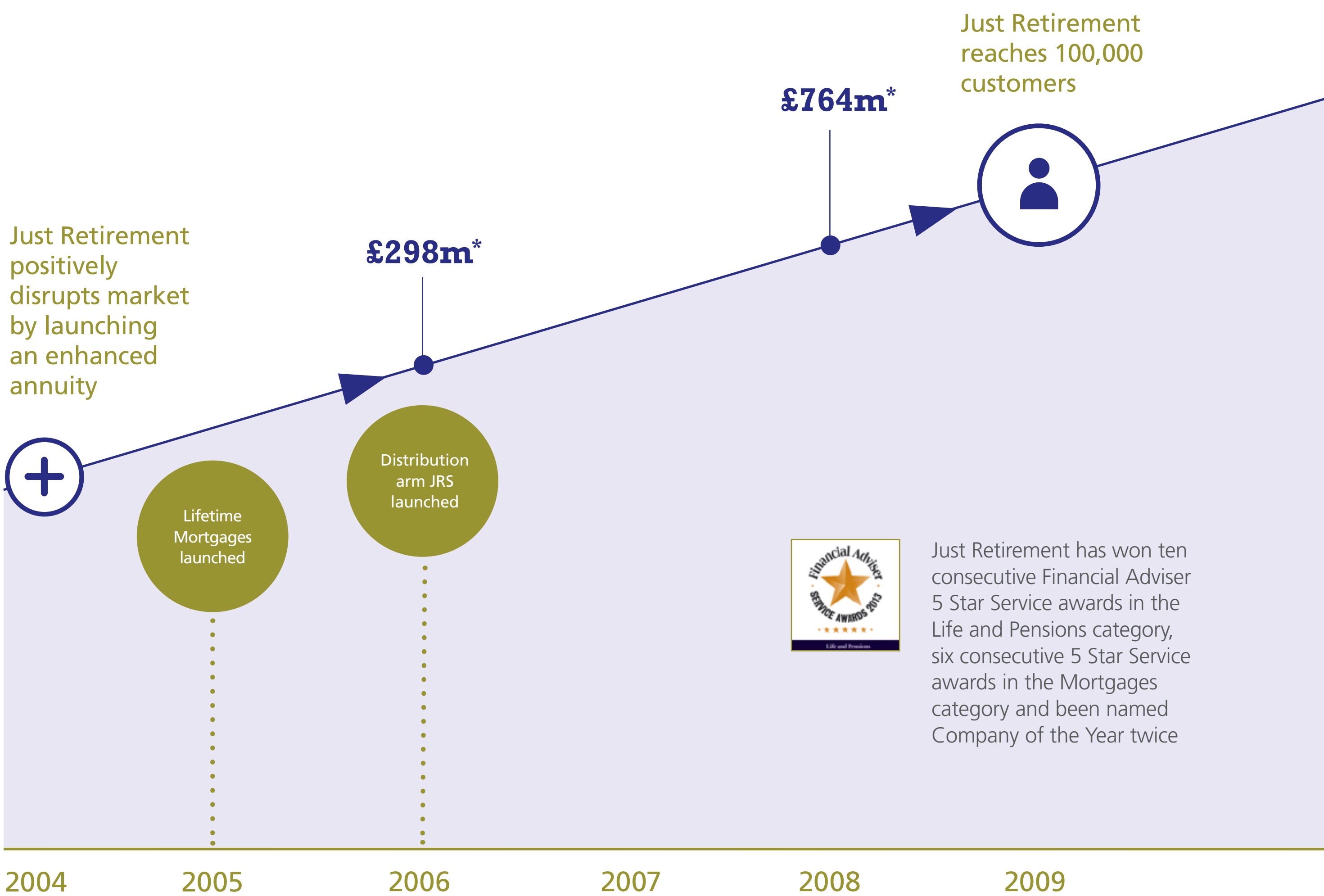
Just Retirement's Care Plans can be tailored to the individual and offer a tax-efficient solution to making payments to residential care providers.

Competitive position

Ten years of Just Retirement

Our journey

Our customer-centric culture urges us to positively disrupt markets by delivering innovative solutions to better meet the needs of our target customers. We have done this by understanding the needs of our customers better than our competitors and developing unrivalled intellectual property equipping us to deliver greater value for customers



* Just Retirement Group total new business sales

£1,456m*

JUST RETIREMENT 10 YEAR ANNIVERSARY

£1,002m*

Total new business sales exceed £1bn

Capped Drawdown launched

Just Retirement named in The Sunday Times 100 Best Companies to Work For 2010-2014

Just Retirement IPO's into FTSE 250 to accelerate further growth

First DB sale completed

Entered Long-Term Care segment JR Care Plan launched

PrognoSys™ launched

Innovation, diversification and growth

Recent innovations

Modernised GIfL

Regulated retirement advice

Flexible Pension Plan

DB top slicing

2010 | 2011 | 2012 | 2013 | 2014 | 2015

Addressing a year of change

A Q&A with our Chairman and Chief Executive Officer addressing the events of the past year, Just Retirement's response and what the future holds for the Company

Tom Cross Brown | Chairman

Rodney Cook | Chief Executive Officer

What has most impacted the performance of the business in the last year?

The most significant event impacting Just Retirement and all of our competitors has undoubtedly been the pension reforms announced by the Chancellor of the Exchequer in his 2014 Budget speech and the subsequent changes to legislation and regulation. The changes have had a profound impact on the market and our Company.

We welcome the long overdue reforms to the retirement income market and the increased flexibility people now have to use their pension savings. Less welcome was the dramatic reduction to our share price in reaction to the Chancellor's Budget statement.

We have rapidly established ourselves as a leading company in the defined benefit segment, as we help pension scheme trustees achieve better value by utilising our innovative Defined Benefit De-risking Solutions.

Accelerating our diversification has reinforced Just Retirement as an entrepreneurial company and positioned us for a return to growth.

You can read a full review of the business on page 28.

How did Just Retirement respond to the Budget?

We had to take some tough decisions about our cost base as a result of the Budget announcement. We concluded that we should realign our costs to allow for the fall in demand for individual annuities. Regrettably this included some redundancies.

The next step was to develop new products and services and accelerate the diversification of our business. We rapidly undertook the most ambitious consumer research we have ever commissioned to uncover the deep-rooted needs of people approaching retirement and explored how they wanted to use the additional flexibility granted by the new freedoms. This insight was instrumental in shaping the development of our new products and confirmed that a significant majority of our target customers want a guaranteed income for life.

Just Retirement has launched modern Guaranteed Income for Life Solutions incorporating additional benefits made available by the government's rule changes. We have launched the Just Retirement Flexible Pension Plan using a market-leading administration platform, which will enable us to attract a new group of customers. In addition we have launched an innovative regulated advice service targeted at middle Britain households who are seeking a personal recommendation of how to use their pension savings.

Our swift response to the extraordinary Budget challenge underlines our agility, innovation credentials and the entrepreneurial spirit within our Company, which has recently celebrated its tenth anniversary.

From page 22 you can read more on our strategic response.

What is the outlook for your market?

The sales of individual Guaranteed Income for Life Solutions have changed dramatically since the March 2014 Budget announcement, as many people have been deferring the decision of how to use their pension savings until the new rules and the new products were implemented in the second quarter of 2015. The structural drivers for growth in the UK retirement income market are robust and positive.

Demographic shifts and the move to defined contribution pension schemes mean that there will be more people with larger pension pots needing to secure a retirement income. We are well placed to benefit from this position through our strong multi-channel distribution relationships, our market-leading service and our new range of post-Budget products and services.

Our DB business has grown exceptionally since we completed our first transaction in November 2013 and there is significant headroom for continued growth in this segment.

In both the Individual and defined benefit de-risking segments, we are confident that the individually underwritten share will expand, enabling us to compete for a growing percentage of a growing segment.

In addition, our Lifetime Mortgages and Care Plans are performing well in markets that have strong growth prospects.

You can read more about our market on page 18.

Merger announcement

This section should be read in conjunction with the Rule 2.7 announcement which may be accessed at www.justretirementgroup.com

What are the reasons for the Merger?

The Boards of Just Retirement and Partnership Assurance believe that the Merger ("the Merger") will deliver significant strategic and financial benefits for the Combined Group.

What are the strategic benefits?

Scale to grow in attractive segments
The Combined Group's larger capital base will enable a broader DB proposition and enhance the Combined Group's perceived strength of covenant, opening up opportunities in the attractive defined benefit de-risking segment.

Consumer champion
The Merger will strengthen the competitive position of the Combined Group in the UK retirement income market, expected to lead to improved customer outcomes compared to the products currently offered by larger incumbent insurers.

Accelerate new product launches
Combining the specialist management teams and expertise of Just Retirement and Partnership Assurance will also enhance the Combined Group's ability to develop and accelerate new product launches in the evolving retirement income market. This is of critical importance given the greater expectation of new products among customers following the freedom and choice introduced by the 2014 pension reforms.

Outstanding intellectual property
The combination of Just Retirement and Partnership Assurance's mortality datasets and underwriting expertise will facilitate improved risk selection and greater reserving accuracy, leading to better value solutions for customers across the entire product range.

More efficient distribution
In both the UK defined benefit de-risking segment and retirement income market, the streamlining of sales functions will lead to a more efficient distribution model for the Combined Group. Overseas expansion will be facilitated through combined international expertise.

What are the financial benefits?

Synergy potential
The combination of the two businesses is expected to create the potential for significant synergies supporting meaningful earnings per share accretion for Just Retirement shareholders and Partnership Assurance shareholders on a fully phased basis.[1] The Just Retirement Board expects the Merger to result in pre-tax cost savings of at least £40m per annum. These synergies are expected to be implemented following completion of the Merger with the full run-rate being achieved in 2018 (the third year following completion) and are expected to require one-off integration costs of £60m over two years. The Just Retirement Directors also expect these synergies to have a positive impact on new business margin, embedded value, economic capital and Solvency II capital ratios over time.

High quality cash generation
The Combined Group will have stronger combined capacity for cash generation, supported by Partnership Assurance's more developed back book and improved operational efficiencies delivered from the combined operating platform, supporting growth and dividend capacity.

Enhanced capital position
The Combined Group's stronger capital position will be enhanced through the intended equity capital raise of approximately £150m, providing the financial flexibility to pursue future growth initiatives and product development.

1 Following the intended capital raise and excluding any non-recurring items.

"This transaction represents a unique opportunity to accelerate the existing strategy of both businesses. Our two businesses will be bigger, stronger and more efficient together, which we believe will allow us to deliver better returns to both policyholders and shareholders"

Tom Cross Brown | Chairman

What do your major shareholders think? Have they made any commitments?

The largest shareholders of both Just Retirement and Partnership Assurance are fully supportive of the Merger and have given hard irrevocable undertakings to vote in favour of the Merger. The Boards of Just Retirement and Partnership Assurance unanimously intend to recommend that shareholders vote in favour of the Merger.

Who will lead the new Group?

The Boards of Just Retirement and Partnership Assurance have agreed a unified management team of the Combined Group under the leadership of Rodney Cook as Group Chief Executive Officer. Reporting to Rodney Cook will be David Richardson as Deputy Group Chief Executive Officer and Simon Thomas as Group Finance Director. Chris Gibson-Smith will be the Chairman of the Combined Group while Tom Cross Brown will assume the role of Deputy Chairman.

Is the Merger subject to any conditions?

The proposed Merger requires shareholders in both Just Retirement and Partnership Assurance to vote in favour of the deal and regulatory approvals to be granted from the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA") and the Competition and Markets Authority ("CMA"). The proposed Merger is also subject to certain other customary conditions.

When will the Merger happen?

The proposed Merger is expected to become effective in December 2015, subject to the satisfaction or waiver of the conditions outlined above.

Where can I find more information?

You can access the Rule 2.7 announcement at www.justretirementgroup.com by clicking on the Merger Announcement tab within the Investors menu. Subject to CMA approval being received in October, shareholders will receive a circular soon afterwards containing further important information and convening the shareholder meeting.

Chairman's statement

A year of diversification, innovation and growth

Tom Cross Brown | Chairman

"Just Retirement remains a challenger brand and has demonstrated agility in responding at pace to diversify its revenue base"

I am pleased to introduce Just Retirement's 2015 Annual Report. The Group has delivered a creditable performance in what has been the most significant year of change to the retirement income market since 1920.

Responding positively to freedom and choice

The reforms to pensions announced by the Chancellor of the Exchequer in his 2014 Budget came into force in April 2015. One of the most significant effects of the March 2014 announcement was the impact on the behaviour of people approaching retirement. A high proportion of people deferred making any decisions on how to use their pension savings until the changes came into effect in April this year. Consequently the size of the individual retirement income market reduced significantly during this period and at the time of writing this report it is too early to predict what the new norm in consumer behaviour will be.

We have responded by accelerating the growth in our Defined Benefit De-risking business which has seen a five-fold increase in business compared to the previous year. This has been achieved by broadening our distribution relationships and accessing new segments.

You can read more about these exciting innovations on pages 32 and 82.

Just Retirement has celebrated its tenth anniversary and I am proud to say the same determination to put the customer at the heart of our innovation is as strong today as it was when the Company positively disrupted the market a decade ago. The Group has responded with agility to launch a new range of products and services including modern individually underwritten Guaranteed Income for Life Solutions, a Flexible Pension Plan and a retirement-focused regulated advice service.

Read more on page 48.

Operating performance

The Group's IFRS underlying operating profit was £86.4m (2013/14: £96.7m) and was impacted by the major disruption to the individual retirement income market following the 2014 Budget announcement. Group embedded value grew to £1,019m (30 June 2014: £959m) and we have maintained a sound economic capital coverage ratio of 176% (30 June 2014: 178%), well above the Group's minimum target coverage of 140%.

You can read a full review of our operating performance on page 28.

Dividend

The Directors are proposing a final dividend of 2.2 pence (2013/14: 2.2 pence), which brings the total dividend for the year to 3.3 pence (2013/14: 3.3pence[1]). The dividend policy remains unchanged.

Board and governance

The Board leads Just Retirement's governance function. We describe in pages 56 to 66 of this report how its performance remained effective throughout 2015. The membership of the Board was largely unchanged in the year, with the exception of Steve Melcher who joined as an Independent Non-Executive Director. Steve is Chairman of the Risk and Compliance Committee and a member of the Audit Committee and the Nominations Committee.

1 Notional interim dividend of 1.1 pence and actual final dividend of 2.2 pence

Our people

On behalf of the Board I would like to recognise the extraordinary achievements of colleagues across the Group. I would like to thank them for the way they have united and gone the extra mile to ensure customers could access the new pension freedoms in April and to ensure Just Retirement is well positioned to compete in the market.

Our communities

Just Retirement colleagues contribute to our communities through a range of activities with support from the Group.

In conjunction with our sponsorship of the World Indoor Bowls Championships and partnership with the English Indoor Bowling Association, we made it possible for Donyngs Indoor Bowls Club, based in Redhill near our headquarters, to host a tournament for people with disabilities.

Find out more about our community work on page 42.

Just Retirement has continued to strengthen its relationships with Alzheimer's Research UK, a national charity, and St Catherine's Hospice, a charity based near our Reigate headquarters. In April 2015, we added Northern Ireland Hospice, in Belfast, to charities the Group supports.

The Group matches all the donations made to these charities. At the end of 2014 the Group introduced a payroll giving scheme to help employees easily donate to charities of their choice.

Merger announcement

The Boards of Just Retirement Group plc and Partnership Assurance Group plc announced on 11 August 2015 that they have reached agreement on the terms of a recommended all-share Merger to create JRP Group plc. The Merger is expected to result in Just Retirement shareholders owning approximately 60% of the Combined Group and Partnership Assurance shareholders owning approximately 40% of the Combined Group.

To read more about the Merger see page 8.

Just Retirement 10 Year Anniversary

We are a fast-growing business

>290,000

customers from a standing start ten years ago.

Future prospects

Just Retirement has a clear strategy, a sound capital base and has accelerated the diversification of its revenue base by focusing on growing the Defined Benefit De-risking business. Simultaneously we have applied our innovation credentials to launch a modern and contemporary range of customer solutions for the individual market. Whilst uncertainty remains over precisely how customers will use their new pension freedoms, the Group is now well prepared to deliver a wider range of solutions.

I am confident that with that strategy, our strong management and the commitment of our colleagues, we will continue to provide excellent value for our customers and growing returns for our shareholders. I do encourage shareholders to read the report to discover more about what makes Just Retirement successful.

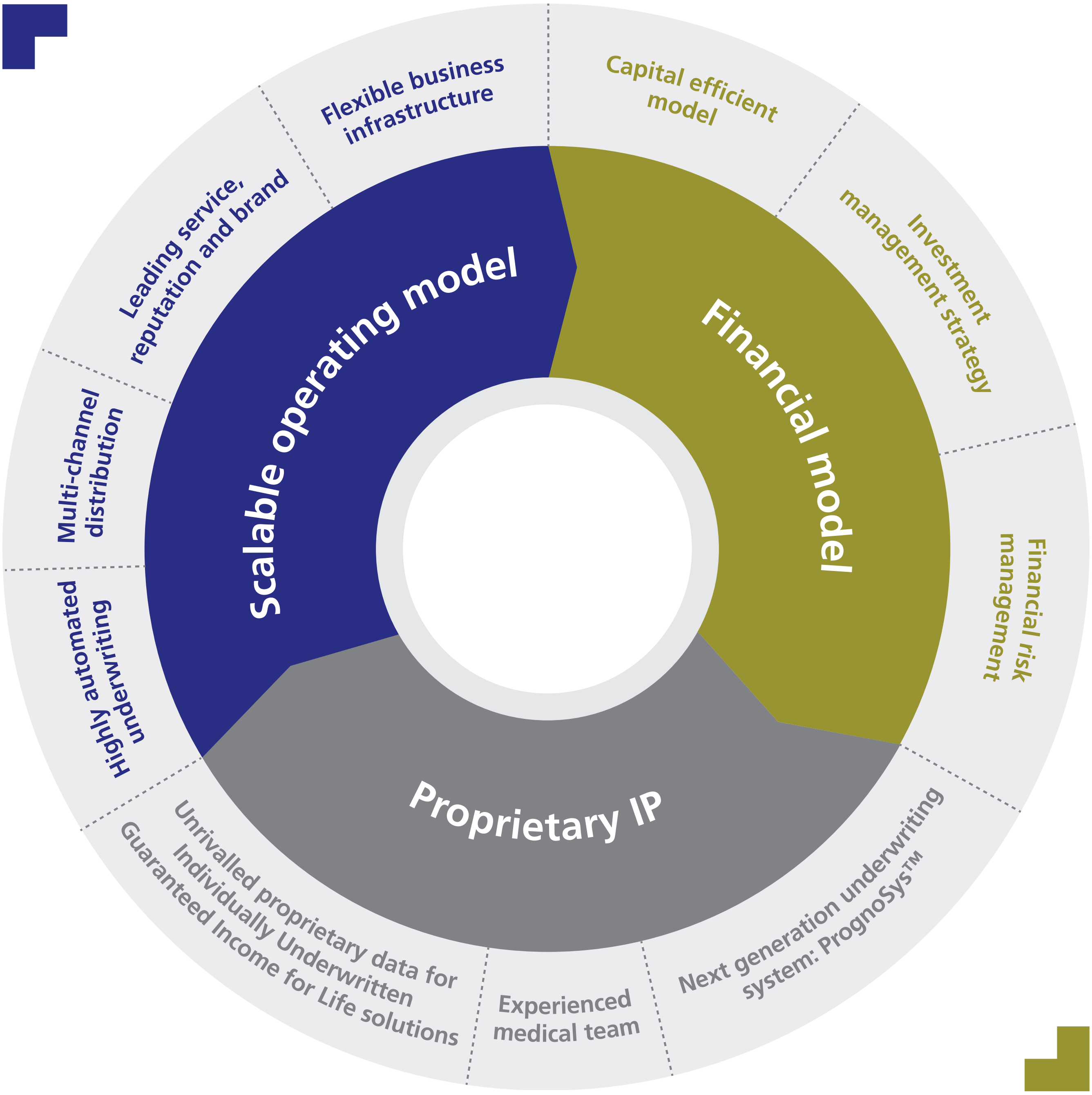
This is likely to be my last statement as Chairman of Just Retirement. It has been a privilege to work with so many outstanding people over an extended period of time, and I am most grateful for the support that has been so generously offered by all. Subject to the proposed Merger completing, I look forward to taking up my position on the Board as Deputy Chairman, and participating in the next chapter of a remarkable company.

In closing, on behalf of the Board, I would like to thank colleagues across the Group along with our distribution and business partners for their support in delivering and contributing to our 2015 results.

Tom Cross Brown

Business model

The Just Retirement Group's business model combines a scalable operating model, a robust and efficient financial model, and extensive intellectual property ("IP"). This creates a flexible business able to deliver value to all of its stakeholders, offering customers a better retirement income and shareholders an attractive and sustainable return on their investment



Scalable operating model

Highly automated underwriting

- Just Retirement has fully automated and highly scalable underwriting systems, resulting in efficient data capture and turnaround time.
- This differentiates our service delivery, and the benefits to financial intermediaries and partners are reflected in our proud record of Financial Adviser 5 Star service awards.

Multi-channel distribution

- We have a multi-channel approach to distribution using both traditional and emerging channels. We have strong relationships with a range of partners including defined benefit employee benefit consultants ("EBC") to provide our individual and corporate solutions.
- Our distribution businesses, JRS and TOMAS, provide professional services to individual and corporate customers.

Leading service, reputation and brand

- Just Retirement is a trusted brand, with market-leading service quality and a strong social purpose.
- We are recognised as a market leader for innovation and championing the cause of delivering better outcomes for pension scheme trustees and individual customers.

Flexible business and infrastructure

- We have a flexible business model and can adapt to changing business requirements.
- This is demonstrated by our entry into several new segments in recent years through the launch of our medically underwritten DB, Care Plans, our regulated retirement advice service and FPP.

Financial model

Capital efficient model

- Just Retirement has a synergistic suite of retirement income products, resulting in efficient and balanced use of capital.
- We create value by taking on those risks for which we believe we can be rewarded, whether by our customers or by the investment market.

Investment management strategy

- Our robust investment policy enables us to optimise risk-adjusted returns for shareholders, whilst ensuring that cash flows from assets under management are sufficient to meet payment obligations from our GIfL portfolio.
- The majority of the Just Retirement financial asset portfolio is held in investment grade, fixed income securities, such as government and corporate bonds. The Group also invests in lifetime mortgages and private placements, and anticipates investing in infrastructure loans.

Financial risk management

- Our operating model is complemented by a conservative approach to risk management.
- We have sound reserves and confidence in our ability to price longevity risk.
- The majority of longevity risk for both DB and GIfL business is held by reinsurers.

Proprietary IP

Unrivalled proprietary data

- The Just Retirement Group has an extensive database and understanding of the likely impact of medical and lifestyle information on life expectancy.
- We believe that over ten years of collecting, storing and synthesizing detailed customer lifestyle and medical data gives us a significant advantage.

Experienced medical team

- Our strong in-house medical team consisting of epidemiologists, doctors and biostatistical modellers has enabled us to improve our pricing and reserving processes.
- We benefit from a deep understanding of the whole spectrum of lifestyle, medical and behavioural factors and their impact on life expectancy.

PrognoSys™

- Since 2011 we have enhanced our IP further by developing the PrognoSys™ programme, our own specialist automated underwriting system.
- This is a powerful tool for pricing and reserving and allows the Group to offer improved outcomes for our customers.

Business model continued

Scalable operating model

Our operating system, progressive distribution strategy, flexible systems architecture, and trusted brand and reputation have allowed us to innovate and successfully offer a diverse range of propositions. Our scalable operating model is perhaps most strongly evidenced by our rapid growth in the defined benefit de-risking segment of the retirement income market, where our medical underwriting model has given us a competitive advantage and our efficient administration services have allowed us to grow rapidly.

Just Retirement's service delivery across the retirement income market is differentiated by our automated underwriting capabilities. This enables us to select and price individual risks across a wide range of medical conditions in an efficient and cost-effective way.

Our progressive multi-channel distribution strategy is underpinned by the strong Just Retirement brand and our award-winning service. We have a multi-channel approach to distribution to give us the greatest possible opportunity in the market to provide competitive terms and secure the business both for our corporate and individual customers. We actively seek to support broad panels and whole-of-market distribution including through the solutions provided by TOMAS. Our distribution businesses, JRS and TOMAS, provide professional services enabling the Group to deepen its reach across life and pension companies, affinity partners and fast-growing digital channels. Our access to a breadth of distribution channels ensures that we are well positioned for changing trustee and consumer behaviour and future market developments.

We have a cost-effective IT and service environment. We adopted a standardised approach to both hardware and software and have developed bespoke systems where suitable to manage new business processing and policy administration. The Directors believe that the Just Retirement Group's integrated IT system is one of its main advantages and has helped us to deliver high-quality service results, including industry-leading turnaround times and over 99% quote accuracy. Our systems architecture can be scaled easily to support substantial increases in the volume of business, and can be adapted to changing business requirements as needed.

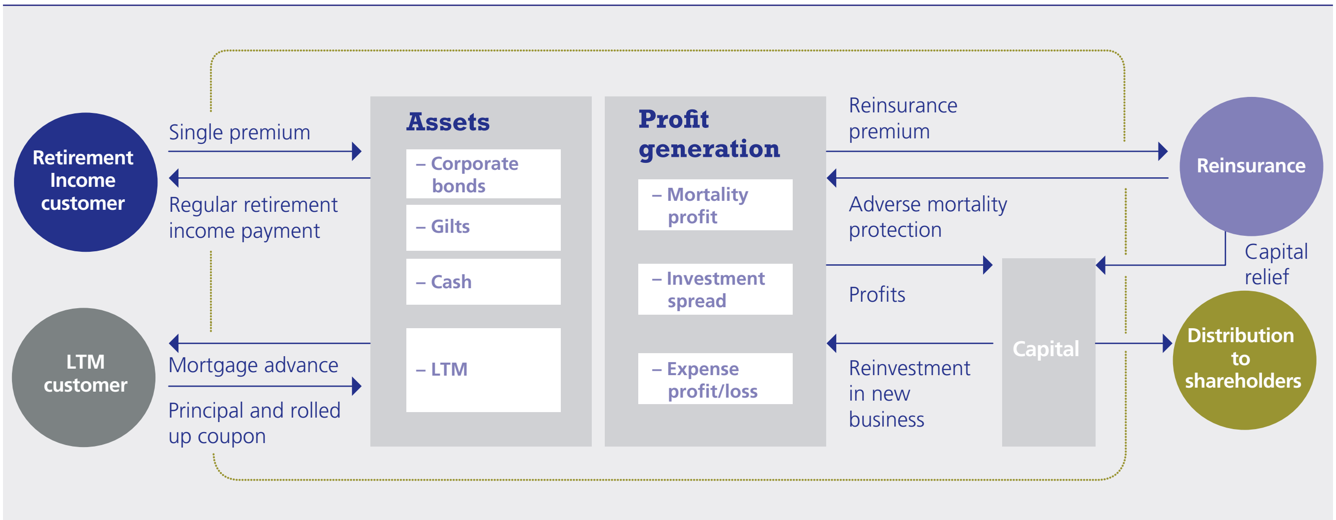
Just Retirement is a trusted brand, with market-leading service quality and a strong social purpose. We are recognised as a market leader for innovation and championing the cause of delivering better outcomes for customers. We have set out to differentiate ourselves in terms of the way we deal with customers, distributors and regulators in order to create a strong brand and culture which we believe highlight the quality and reliability of our expertise within our chosen markets. This is demonstrated through the awards that we receive. Just Retirement has won ten consecutive Financial Adviser 5 Star Service awards in the Life and Pensions category, seven consecutive 5 Star awards in the Mortgages category and been named Company of the Year twice.

Proprietary IP

Our medical underwriting expertise has provided us with significant advantage enabling us to underwrite effectively and drive growth in the retirement income market.

In particular we are able to offer customers whose medical conditions or lifestyle factors reduce their life expectancy a guaranteed income in retirement that

Summary of the Group's business model



reflects better value for money than standard providers. We have grown our DB capabilities, building on our medical expertise. For smaller schemes, the Just Retirement Group can in many cases use its medical underwriting capabilities to offer trustees materially better terms than bulk annuity writers who do not take the medical data of scheme members into account.

Our automated underwriting system, PrognoSys™, has been developed since 2011 and represents a synthesis of several sources of medical knowledge, including our own internal database, enhanced by a breadth of external primary and secondary healthcare data and medical literature, which extends the Group's intellectual property. Our in-house medical team continues to scan for new research material and for long-range warnings of developments in disease prevention, medication and customer care, which could lead to changes in longevity trends.

We have continued to invest and develop PrognoSys™, with a second phase of the programme completed this financial year. As PrognoSys™ has continued to evolve, we are able to assess healthy lives as well as more impaired lives, and to improve our pricing and reserving processes continually, supporting delivery of future profits. We look to use our extensive IP to increase our share in those segments of the retirement income market determined to be attractive, continuing to diversify and to develop new products.

Financial model

Just Retirement's financial model creates value by taking on those risks which we believe can be rewarded, whether by our customers or by the investment market. We believe that we create this value by:

- Accepting the uncertainty of future life expectancy from customers and pension schemes exhibiting certain medical characteristics;
- 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 GIfL solutions to customers, including our DB partners, seeking certainty of income in retirement;
- Investing the premium we receive in corporate bonds, gilts and cash to match our liabilities; and
- Sourcing LTM directly, via intermediaries and partners, and by financing other equity release providers.

A complementary product set and robust investment policy enable the Group to optimise risk-adjusted returns for shareholders.

We ensure that cash flows from our financial asset portfolio are sufficient to meet the payment obligations arising from the Group's GIfL portfolio. Our LTM product is a key component of our capital efficient business model. LTM provide a partial longevity hedge against GIfL customer longevity risk, and a high risk-adjusted yield. Together these factors significantly reduce the capital required for DB and individual GIfL products at the point of sale.

The majority of the Group's financial asset portfolio are held in investment grade, fixed income securities, such as government and corporate bonds. Around 60% of the Group's corporate bond and gilt 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. 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. The loan to value ("LTV") ratio of the LTM portfolio is at 25% (30 June 2014: 25%).

We have a conservative approach to risk management, with reinsurers taking the majority of longevity risk under our qualifying new business. We transfer longevity risk from our 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.

The Group is primarily managed on an economic capital basis and the economic capital coverage ratio of 176% exceeds our minimum target of 140% under normal circumstances by a comfortable margin. We also ensure that we hold sufficient capital to meet our risk appetite in relation to regulatory capital requirements.

Key resources and relationships

Customers

Just Retirement has always recognised and responded to the needs of its customers and we are committed to ensuring that our business remains customer-focused in the future. Ongoing programmes of quantitative customer surveys, qualitative focus groups and the implementation of a fully integrated complaints process, provide the Group with vital insights into our performance and service proposition. Our customers now have the opportunity to provide feedback at the end of telephone calls by way of an integrated voice recognition survey, used in call coaching to reinforce the customer-centric culture and attitude we are fostering within our front-line employees.

Our latest industry market research from LAMRA showed that 95% of survey respondents rated the service which they received from Just Retirement as "Good" or "Very good". This is a 3% increase compared to our results in 2014 and around 6% above the industry average. We continue to request feedback in order to structure a range of initiatives to maintain this position, and also to improve the customer experience. Our cultural philosophy is that customers should be at the heart of our business. We also have a very low risk appetite for breaches of our Treating Customers Fairly ("TCF") policy. Just Retirement provides market-leading services by understanding its customers, keeping its promises and seeking to exceed customer expectations.

Distribution partners

Our DB sales are made via EBC who advise the schemes' trustees on the structuring of defined benefit pension schemes, and we have developed strong relationships in this area despite being relatively new to this segment of the retirement income market. We distribute our individual products through a number of channels, including traditional channels (such as financial intermediaries, EBC, specialist intermediaries, banks and building societies) and emerging channels (such as life insurance companies, digital and affinity partners). Our consistent record in achieving the highest accolades in industry service awards demonstrates the strength and quality of our relationships with financial intermediaries.

Our progressive retail distribution strategy is underpinned by our strong brand and our relationships with a diverse range of corporate partners and financial intermediaries. In 2014/15 we developed new partnerships to diversify our retirement proposition and to support customers reaching retirement through our FPP and our innovative, retirement-focused simplified advice service. On page 82 of this report is a case study of our new partnership with the Phoenix Group illustrating how our regulated advice service is providing help to their pension customers. This innovative new service is targeted at middle Britain retirees and has been designed to help fill the advice gap for those people with modest pension savings.

Reinsurers

Since our inception in 2004, Just Retirement has been working with Hannover Re, widely regarded as one of the leading global reinsurers in the GIfL market, as its key reinsurance partner.

In addition to this long-standing relationship with Hannover Re, we have developed partnerships with other leading reinsurance firms, including RGA International and RGA Global Reinsurance Company Ltd., Achmea Re and SCOR Global Life SE (UK Branch). The diversification of our reinsurance relationships has supported competitive pricing.

Government

Just Retirement believes that an important part of our role in the retirement income market 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 past year have been to support ministers, their officials and agencies introduce a range of interventions to ensure those people accessing their pension savings are supported to make improved decisions. We campaigned actively to secure the new Second Line of Defence regime introduced by the FCA to protect people from making inadvertent poor choices. We are pleased that our efforts were successful to ensure that the government's Guidance Guarantee service, Pension Wise, was designed to ensure it was unequivocally independent of commercial bias. We have been a major contributor to HM Treasury's consultation into the development of the secondary annuity market and continue to support the development of this new opportunity to extend freedom and choice to customers who have historically purchased guaranteed income products.

Our investments to support policy makers with original research in 2015 are focused on exploring the potential long-term implications of the pension reforms. We have developed thought leadership to highlight the importance of implementing an early warning system to track the potential long-term outcomes of specific customer groups, to highlight those that may be particularly vulnerable and to assess the potential implications on the State.

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

Just Retirement generally manages our own customer-facing systems, processes and organisation. This continues to allow us to flex and adapt our services to meet evolving customer demands.

However, the Group outsources certain operational and administration functions where appropriate. This includes the administration of customers' regular pension payments for our DB business. 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 focus on the organisational initiatives that have the biggest impact for customers, employees and the business. We typically focus on strengthening technical knowledge, role-specific skills and behaviour in line with our competency framework.
In 2014/15 we have placed particular emphasis on our performance culture, coaching skills for managers, and a new leadership programme. We have also ensured that our people remain aware of recent changes in legislation and industry initiatives, with specific training programmes on Just Retirement's own response to the recent pension reforms and our new and diversified products and services.

Diversity

Just Retirement is committed to valuing diversity and promoting equality of opportunity for employees. We ensure 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 91% men and 9% women, whilst the Board is comprised of 89% men and 11% women. Overall, the male: female ratio 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 may also elect to join the private medical insurance scheme and sign up to receive other benefits, including dental and travel insurance, retail vouchers, gym membership, holiday buy/sell and retirement planning. Salary sacrifice schemes providing National Insurance and income tax savings are available for childcare vouchers and a cycle-to-work scheme. To support employees in planning for their future, Just Retirement offers a salary sacrifice Group Personal Pension scheme.

Our market

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

The dynamics of the UK retirement income market

Individual retirement income market

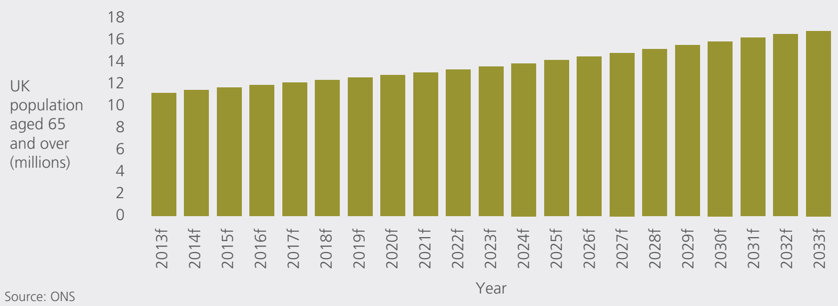
The UK individual retirement income market has evolved significantly following the pension reforms first announced in the 2014 Budget. The removal of any restriction on how individuals are able to access their pension savings has disrupted the regular pattern of customer behaviour. Since the Budget, a significant proportion of Just Retirement's target customers have deferred accessing their pension savings, choosing instead to wait until the pension freedoms became available from April 2015. This has resulted in our addressable market reducing as fewer people purchased guaranteed income for life solutions.

Just Retirement has commissioned extensive market research to determine the needs and preferences of our target customers. Our research findings are consistent with other external reports concluding that seven out of ten of retirees continue to value a guaranteed income in later life above other factors. We expect that the market will continue to evolve in response to the pension freedoms over the coming years, as new products and customer preferences emerge. We are confident that people will continue to secure a guaranteed income for life from some or all of their pension savings to ensure their regular expenditure is secured. Read how Just Retirement has responded to meet customer needs on page 48 of this report.

It is too early to predict what the new norm in consumer behaviour will be but the underlying drivers of growth in the individual retirement income market remain strong. In particular:

- The number of people aged 65 and over is forecast to increase from approximately 11m in 2013 to over 13.5m by 2023, and over 16.5m in 2033 – as illustrated by the chart (Source: ONS). This trend is underpinned by the baby boomer generation reaching retirement as well as higher life expectancy for both men and women. This results in increases in not only those approaching retirement but also the number of people that will be looking for solutions in later life.
- The assets held by those in later life are also increasing. People aged 65 and over hold around one-third of UK total personal wealth (Source: HMRC). 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. In addition, more wealth is expected to flow into the retirement market. We expect that the assets held by people entering retirement will continue to increase rapidly, with market intelligence suggesting that the at-retirement market will reach approximately £671bn in 2023 from £356bn in 2013 (Source: Spence Johnson). This continues to represent a sizeable and rapidly growing market opportunity for Just Retirement.
- The UK government has implemented a number of policies to progressively reduce retirees' reliance on the State Pension, including increasing the age at which an individual is entitled to receive a State Pension, promoting personal retirement savings through auto-enrolment, and the creation of the National Employment Savings Trust ("NEST"). This means that individuals are likely to continue to look for other sources of income in retirement.
- Over the past ten years there has been a significant decline in the availability of defined benefit pension schemes in the UK. These schemes are becoming increasingly less attractive and more costly for employers to offer, and consequently defined contribution ("DC") pension schemes have become more prevalent in the UK. In 2005, only 33% of approximately £1.1tn of total pension assets were held in DC schemes. By 2015, DC schemes are projected to account for 48% of £1.8tn total pension scheme assets (Source: Towers Watson).

Increasing numbers approaching retirement



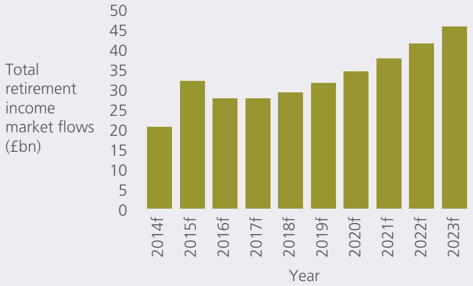
Source: ONS

As well as these strong underlying drivers of the UK retirement income market, we believe that the pension reforms will stimulate demand for innovative retirement income solutions, creating strong opportunities for the market to continue to develop. External research suggests that there will be significant growth in new retirement income products offering a balance between guaranteed income and flexibility, with estimates that assets in these new products will total £48bn by 2023 (Source: Spence Johnson). Just Retirement has always supported choice and flexibility among customers. We believe that the pension reforms are ultimately likely to increase the overall size and depth of the individual retirement income market.

Bulk (defined benefit de-risking)

Defined benefit pension schemes provide individuals with a predetermined monthly income in retirement based on their earnings history, tenure of employment and age. Over the last decade the availability of these pension schemes has been in decline, as they become less attractive and more

Retirement income market – £20bn to £46bn



Source: Spence Johnson analysis

costly for companies to offer. Nonetheless, the UK still has one of the largest defined benefit markets in the world, with aggregate liabilities of approximately £1.7tn across more than 6,000 pension plans. A growing number of pension trustees are choosing to secure their members' future pension payments by conducting some form of de-risking transaction. De-risking transactions were unaffected by the 2014 Budget and account for a significant proportion of the growth in the overall UK retirement income market. We estimate that total defined benefit de-risking sales will reach £25bn per annum by 2020 as illustrated by the chart (Source: Hymans Robertson, Oliver Wyman, KPMG, LCP).

The sectors in which we operate, our products and services

Individual retirement income solutions

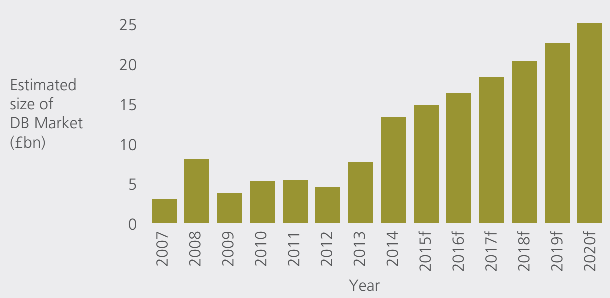
Until 2014, individuals reaching retirement typically purchased an annuity to provide a guaranteed income stream for life. ABI figures show that around 85% of retirement income product sales in 2013 were annuities (Source: ABI).

The pension reforms first announced in the Budget 2014 had a significant impact on the individual UK retirement income market, disrupting the traditional pattern of consumer behaviour in how they used their DC pension savings to deliver benefits during retirement. By creating greater freedom of access for participants in DC pension schemes to their pension savings and removing some of the constraints that inhibited the development of flexible retirement income products, the reforms had an immediate impact on the individual GIfL market, with traditional GIfL sales falling by 42% from £11.9bn in calendar year 2013 to £6.9bn in calendar year 2014 (Source: ABI). However, external research suggests considerable growth in the total individual retirement income market in the UK in coming years as illustrated by the chart (Source: Spence Johnson).

Prior to the pension reforms, people had the right to use an open market option to place their DC pension savings with any product provider willing to accept these funds in exchange for an annuity product. This enabled people to shop around the market to find the best deal. The intention of the reforms is to give customers greater freedom and choice in how they use their pension savings and to encourage more people to shop around to find good solutions among several types of products. The publicity surrounding the pension reforms and the widening availability of Pension Wise, the government's Guaranteed Guidance service, should ensure that more people are aware of their options and enable Just Retirement to reach a greater number of customers as a result.

Our market continued

Defined benefit de-risking market forecast



Souce: Hymans Robertson, Oliver Wyman, KPMG, LCP

Just Retirement has been one of the leading providers of GIfL, offering better rates than standard product providers to customers who, as a result of one or more pre-existing medical conditions or lifestyle factors, are likely to have a reduced life expectancy. To date we have helped over 220,000 GIfL customers achieve a better income in their retirement than if they had taken a GIfL from standard product providers.

In response to the Budget 2014 pension reforms and the increased demand for innovative and flexible retirement income products, we created a new Flexible Pension Plan offering customers access to the government's new flexi-access drawdown regime. We also launched modern GIfL Solutions utilising the scope of the new legislation in April 2015. We also expanded our existing range of Capped Drawdown solutions by launching a one-year product, supporting those customers wishing to defer their pension in the period between the pension reforms being announced and coming into effect. On page 48 of this report you may read how Just Retirement's new solutions enable people to mix and match guaranteed income and flexible pensions solutions to get the best of both worlds.

We recognise that individuals' retirement patterns are changing, as they may choose to work longer and receive different sources of income in later life. To support customers in their decision-making, we have created a new regulated retirement advice service to provide valuable advice and help people to achieve good outcomes.

Overall our response to the Budget 2014 reforms ensures that our products and services for individual retirees are well-positioned in the market. Our levels of customer enquiries for guaranteed income solutions for individuals have increased since the pension reforms came into effect in April 2015.

Defined benefit de-risking

Defined benefit pension schemes are increasingly seeking opportunities for their liabilities to be taken over either fully or partially. This de-risking can occur via either a Buy-In (whereby a pension scheme pays a single premium to purchase an income stream that matches its obligations to its members, but retains legal responsibility for those obligations) or a Buy-Out (whereby a pension scheme can purchase a series of policies to replicate its obligations to some of its members, who become customers of the de-risking provider).

Until recently, providers of defined benefit de-risking solutions did not medically underwrite scheme members, even though underwriting could potentially benefit both schemes and their members. In many cases, medical underwriting permits insurers to offer the pension scheme trustees a lower cost for the de-risking solution. Small defined benefit pension schemes 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. Just Retirement has recently entered this segment of the retirement income market, as we are able to utilise our medical underwriting expertise effectively in this area.

To date, we have generally targeted schemes with fewer than 300 lives and assets under management below £200m, offering Buy-In and Buy-Out solutions for defined benefit trustees. We also have the flexibility to top-slice larger schemes. We were one of the first to introduce a deep underwriting approach and will be continuing to promote our DB proposition in order to increase awareness of this approach among trustees and their advisers.

Long-term care solutions

Long-term care insurance provides guaranteed income to contribute to residential care costs. This is tax-free if paid directly to the care home. Private long-term care spending reached £11.2bn in 2013. However, although long-term care spending is likely to increase with an ageing population and as a result of the pressures on State funding, market data suggests that sales of long-term care insurance remain relatively low.

Just Retirement believes that the care solutions segment of the retirement income market has growth potential but, in light of continued political uncertainty with the recent deferral of the cap on care costs, the market for providers remains constrained.

Just Retirement launched its first Care Plans in August 2013 in conjunction with an exclusive five-year partnership with Saga. We have subsequently expanded our distribution to include other intermediaries.

Lifetime mortgages

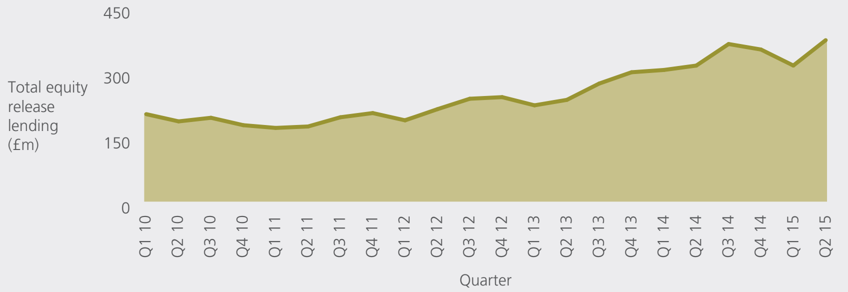
LTM allow homeowners to realise some of the equity value in their home without having to leave their property. A cash advance is provided which is secured by a mortgage over their property. Typically this advance with any interest is repayable on the death of the owner or vacation of the property due to a permanent move into a residential care facility. LTM are primarily used by retirees to supplement retirement income and to settle any outstanding indebtedness.

The LTM segment of the retirement income market has significant growth potential, both due to structural drivers and changing attitudes towards the use of housing equity in retirement. UK homeowners aged over 65 are currently estimated to own property wealth of £807bn (Source: Key Retirement Solutions), but only approximately £14.6bn LTM advances have been made in total during the period 2002 to end of June 2015, providing significant headroom for future growth (Source: Equity Release Council). Nonetheless, the market has grown significantly in recent years, as illustrated by the chart below showing that total equity release lending has more than doubled between the first half of the 2010 calendar year and the equivalent period in 2015. Survey evidence suggests that retirees want to maintain their lifestyle rather than simply maximise their legacies, and the Parliamentary Select Committee acknowledged in March 2013 that housing equity has a significant role to play in meeting a number of the UK's policy challenges in satisfying income and care needs later in life. Overall, we believe that growth in the LTM segment will continue to be driven by:

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

In addition, as part of its review of mortgages, the Financial Conduct Authority has continued to highlight a material challenge for many people who have interest-only mortgages with insufficient capacity to repay these loans. Between 2012 and 2020, 1.3m interest-only mortgages valued at approximately £111bn will fall due for repayment (Source: previously Financial Services Authority). However, just under half of these borrowers are expected to have a significant repayment shortfall. This is likely to lead to growth in solutions for new LTM products to support this segment.

Growth of equity release market 2008–2015 by quarter (calendar year)



Source: Equity Release Council

Just Retirement has been providing LTM since 2005 and is a leader and innovator in this segment of the retirement income market. We were the first provider to launch a drawdown LTM, which provides additional flexibility to draw down cash as and when it is needed and thereby reducing the interest cost to the customer compared to taking a single advance.

International retirement income markets

The South African retirement market opportunity and solutions

South Africa has one of the five largest immediate annuity markets in the world, with many structural similarities to the UK including legislative framework, products and distribution. Limited State social security, tax incentives for private retirement provision and compulsory annuitisation or income drawdown are resulting in a fast-growing retirement market expected to grow significantly over the coming years.

Just Retirement South Africa has received authorisation to trade and is starting to roll out an individually underwritten Guaranteed Income for Life Solution via EBC and financial intermediaries and plans to launch additional products in the future.

Strategic objectives

Just Retirement's vision is to become the leading retirement brand, known and trusted for enriching our customers' lives. We intend to continue to influence and innovate through our customer-focused propositions, building on our proprietary IP and underwriting capabilities, and deploying our robust and capital efficient business model

In this way we will deliver positive outcomes for our customers and will generate attractive shareholder returns and profitable growth

Objective

One

Ensure our sustainable future

Our strategic objectives are to be in a leadership position across the segments of the markets in which we operate, to continue to diversify our portfolio, and to keep our eyes on the future as to what may come and how it will impact our business.

We will apply our strategic and customer insights to grow our presence in the retirement income market in a sustainable way, optimising returns for our shareholders.

Why this is important

The Group generates value through our diversified streams of revenue, which enable us to grow our business and ensure efficient use of capital. We believe that it is essential, not only to maintain and strengthen our leadership position in the structurally attractive segments of the retirement income market in which we already operate, but also to expand into markets where we can leverage our insights, capabilities and intellectual property. We need to ensure that we are prepared to respond to emerging risks and opportunities, so that we can continue to develop our reputation as an innovator and thought leader.

Just Retirement has always been an innovator and a champion of customer choice and these values continue to underpin our strategy. We will continue to diversify our products and services, and use our IP to address the highest value opportunities in the retirement income market to generate high quality returns for shareholders. Our execution of this strategy to be a diversified, customer-centric, and innovative business has reinforced Just Retirement as an entrepreneurial company and positioned us for a return to growth following the impact of Budget 2014.

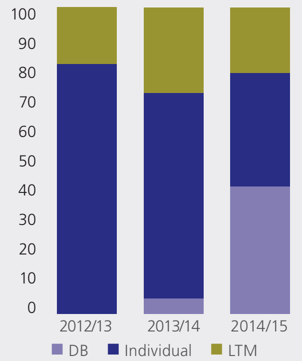
Our forward-looking strategy is made up of four themes:
- Ensure our sustainable future;
- Increase our customer-centricity;
- Drive efficiency and adaptability; and
- Build a winning organisation.

How this will be achieved

Just Retirement will continue its open and positive dialogue with policy makers, regulators and consumer and industry groups, ensuring that we are well-placed to understand and to shape the retirement income market. We will continue to develop and apply our experience and insights to stay ahead of other market participants and to strengthen our trusted brand and reputation.

We will also continue to build and deploy our IP to create competitive advantage, identifying risks and opportunities to respond with innovative and effective propositions for our individual and corporate customers. The defined benefit de-risking and lifetime mortgage segments of the retirement income market demonstrate strong growth prospects and we believe that we are well-placed to continue to strengthen our position in these markets. In addition we believe that the pension reforms will continue to create demand for innovative and flexible GIfL solutions. We have a strong pipeline of prospective defined benefit de-risking transactions and intend to continue to diversify our propositions to individual customers through product development.

New business sales composition (%)



Note: Individual includes GIfL, Capped Drawdown and Care Plans

Strategic objectives continued

Objective

Two

Increase our customer-centricity

Our strategic objectives are to make sure we understand and respond to customers' retirement needs in all the segments in which we operate, to help consumers to understand their retirement choices, broaden our distribution reach and to be a market leader in delivering an excellent customer experience.

By ensuring that customers are at the heart of what we do, we will deliver positive customer outcomes and will continue to grow our business.

Why this is important

Just Retirement has always set out to differentiate ourselves through our focus on enriching our customers' lives. We want to ensure that we continue to be a leader in understanding and responding effectively to the needs of our customers, supporting their decision-making and delivering high quality experience.

Our customer-centric approach ensured that, despite the challenges created by the Budget 2014 pension reforms, we were in a strong position as we were able to respond quickly in recognition of customer needs for flexible retirement income solutions. We have also focused on building customer understanding of their retirement choices, championing the use of "plain English" and ensuring that our propositions are clear and simple. This is critically important as we compete in the open market to show why our solutions are effective and offer better value for customers.

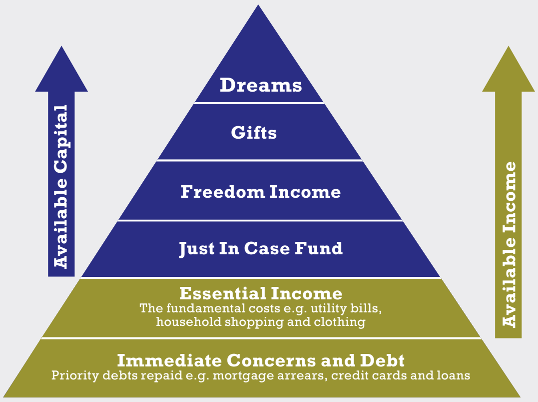
How this will be achieved

We will continue to develop our understanding of how customer needs and preferences are changing through investment in research and customer insight programmes. We have pioneered a powerful and cost-effective simplified advice service for pension providers to support customers at the critical point of converting their pension savings into retirement benefits, and intend to continue to invest in tools and services to support customer decision-making. We will also continue to engage with policy makers and regulators to ensure that we drive forward the agenda for customer support and protection, including through the expansion of the government's Pension Wise service and the development of the open market.

Our customer insights and experience through our immediate response to the Budget 2014 changes will allow us to continue to positively disrupt the guaranteed income for life segment of market. We believe that our products and services will continue to result in Just Retirement being recognised as an established player in the market, particularly as increasing numbers of customers are provided with impartial support and guidance through the government's Pension Wise service and as customers are encouraged to seek competitive deals in the open market.

We will continue to broaden our multi-channel distribution strategy, including through our life and pension company partners, by delivering professional services as well as flexible products that serve the needs of our customers. We will continue to invest in relationships with our established distributors and develop new distribution channels, leveraging our award-winning service proposition and leading digital sales and service solutions, including TOMAS.

Hierarchy of retirement income needs



Model based on work by Mitch Antony

Strategic objectives continued

Objective

Three

Drive efficiency and adaptability

Our strategic objectives are to work to continuously improve our cost efficiency, ensure our current and future developments align to our target operating model and continue to effectively manage our capital.

We will continue to invest in our specialist capabilities, and develop our operating model, to maximise our value.

Why this is important

Our unrivalled proprietary IP and our medical underwriting expertise has provided us with significant advantage, enabling us to underwrite effectively and drive profitable growth in the defined benefit de-risking and individual segments of the retirement income market. Continued investment into our IP and capabilities, maintaining our scalable operating model, and continuing to develop our trusted brand are essential to ensure that we can meet current and future demand. Our operating model needs to continuously evolve in response to changes in the landscape so that we can continue to offer efficient and effective solutions for our customers.

Objective

Four

Build a winning organisation

Our strategic objectives are to make sure we protect our respected brand, helping our employees to realise their own potential, and in doing so our potential, and to have an organisation that is fit and ready for the future.

We will build an organisation that embodies the values of Just Retirement, delivering quality service to our customers, developing and supporting our people to be the best that they can be, and being ready to meet anticipated future demands.

Why this is important

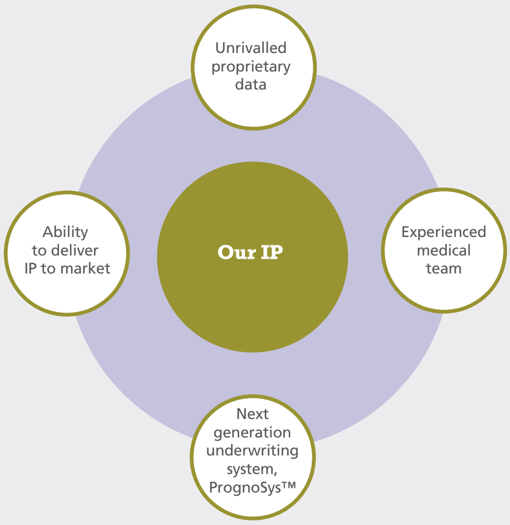
Our people underpin the delivery of all aspects of our business performance. We believe that we will continue to thrive as a company by developing and supporting our people to be the best that they can be, so that we can achieve more as a Group and develop a flexible and strong organisation with employees enjoying a relevant and fulfilling career.

The depth of experience and expertise within the workforce has enabled us to capitalise on growth opportunities, and deliver award-winning customer service. Our values underpin the way the Group's employees do business, and has been a key driver of our trusted and respected brand reputation.

How this will be achieved

The Group plans to continue to invest in and develop our proprietary IP and to use the flexibility of the operating model to extend our product proposition. We will continue to tailor our products and services in the future to ensure that the continuing needs of our customers are met. We will also promote our DB proposition to accelerate awareness amongst trustees and their advisers of the benefits of the "deep" underwriting approach that we can provide. We have applied for permission to use an internal model and the matching adjustment to calculate regulatory capital for Solvency II and to use transitional measures to calculate technical provisions. This approach will support the effective operation of our capital-efficient business model.

We will continue to identify and challenge areas of the business where cost spend does not reflect value gained, and will manage procurement intelligently. Building on our cost savings programme over 2013/14, we will continue to manage our resource allocation effectively and in line with our longer-term priorities. We will continue to develop our key capabilities, including through investments in our proprietary IP and underwriting capabilities and will ensure that our Solvency II compliance also builds understanding of capital management across our entire Group.



How this will be achieved

We will ensure that our employees understand the Just Retirement values and that our behaviour reflects those values. We will continue to develop our high-quality performance review culture, providing the right environment to address our people's experience, aspirations and development needs in line with the needs and ambitions of the Group.

We will use our strategic workforce planning programmes to ensure that our people are in the best roles to strengthen our Group as a whole, identifying and developing talent including through our new leadership programmes. We will continue to work together effectively, with clear and regular communications on our strategic direction, so that every employee can understand how their contributions can help achieve our aims.

Our values

Specialist	**Individually specialist and collectively expert** Being individually specialist and collectively expert in our field gives us the confidence to understand our customers' financial needs and address their financial risks. We are all specialists in our own roles but together we become the specialist retirement company.
Trusted	**Trusted to deliver on our promises because we operate with integrity and honesty** We operate with integrity and honesty, allowing our customers to feel confident that they can trust us with their money in retirement. We work honestly with each other, we are approachable and always eager to help our customers, business partners and colleagues by delivering on our promises.
Agile	**Nimble, sharp, proactive and flexible to our customers' needs** We meet our customers' current and future needs by ensuring that our solutions are flexible and adaptable. We are confident and take measured risks to capture the right opportunities. A swift and responsive approach provides the momentum that drives the Company forward.
Rigorous	**Thorough and challenging to drive accuracy and continuous improvement** We are thorough in our everyday practices and ensure that our focus on productivity does not impede quality. We balance our agility with rigour by embracing a pragmatic, detailed approach to maintaining the highest standards.
Supportive	**Collaborating with our colleagues and customers to deliver aligned goals** We promote and reward supportive behaviours to help create a great working environment and a positive Just Retirement experience by empathising with our colleagues and customers. We instil teamwork and support our colleagues to deliver aligned goals.

Chief Executive Officer's operating review

New business sales amounted to £1,456m for the year ended 30 June 2015, including a five-fold increase in sales of Defined Benefit De-risking Solutions

Rodney Cook | Chief Executive Officer

"There was plenty to get excited about in the year to June 2015, even before the recent announcement of our proposed Merger with Partnership Assurance Group"

The first year following the 2014 Budget was always going to be tough for companies offering retirement income, as consumers firstly deferred taking decisions about their retirement income and then began to take advantage of the greater pension freedom on offer to them. I am therefore very proud that we have largely managed to offset lower individual sales by accelerating our growth in the defined benefit de-risking segment.

As a result, DB is now comfortably our largest product. Our DB pipeline continues to grow and we remain optimistic that medical underwriting will increasingly be seen as the right option for de-risking by smaller schemes. In April this year we launched our next generation Retirement Income products, allowing individual savers to take advantage of their new freedom to choose how much of their savings to convert into a guaranteed income for life and how much to keep invested. The year also saw the second phase of the implementation of our state of the art medical underwriting platform, PrognoSys™, which is now fully rolled-out for pricing as well as reserving. We have also started writing business in South Africa.

In other words, there was plenty to get excited about in the year to June 2015, even before the recent announcement of our proposed Merger with Partnership Assurance Group. This Merger will significantly accelerate our existing strategy and we believe will make us stronger together. The rest of my review looks at the highlights of 2014/15 in more detail, but we are already working hard to ensure 2015/16 will be more exciting still once the proposed Merger gets underway.

	2014/15 £m	2013/14 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**608.9**	92.1	561.1
Guaranteed Income for Life Solutions ("GIfL")	**478.0**	1,106.2	(56.8)
Care Plans ("CP")	**12.1**	2.2	450.0
Retirement Income sales	**1,099.0**	1,200.5	(8.5)
Capped Drawdown contracts	**48.7**	73.7	(33.9)
Total Retirement sales	**1,147.7**	1,274.2	(9.9)
LTM loans advanced	**308.1**	476.4	(35.3)
Total new business sales*	**1,455.8**	1,750.6	(16.8)

* Retirement Income premiums written are included in revenue within the Statement of comprehensive income and Capped Drawdown sales and LTM advances are deposit accounted.

Retirement Income sales

Sales of DB and GIfL contracts make up the majority of the Group's new business Retirement Income sales. Overall, new business Retirement Income sales decreased by 8.5% to £1,099.0m (2013/14: £1,200.5m).

The Group's DB sales have performed very strongly, with a five-fold increase in DB sales reported compared to the prior year (2014/15: DB sales of £608.9m; 2013/14: £92.1m).

This increase has largely offset the fall in GIfL sales which as expected were affected significantly by the Budget announcement on 19 March 2014. The primary changes within the pension reforms announced in the 2014 Budget came into effect from April 2015, ending a long period of uncertainty as consumers waited for clarity on the new pensions landscape and for insurance companies to develop or enhance their product offerings.

The Board of Just Retirement responded to these changes, not only by focusing on the continued growth of the DB product offering, but also by developing new products both in the GIfL and drawdown markets, launching these in the last quarter of the financial year. GIfL sales are proving more resilient than some commentators have suggested, with fourth quarter sales stable and further momentum in the first quarter of our new financial year.

Just Retirement's new drawdown product, the Just Retirement Flexible Pension Plan, has generated its first sales already. We are also very pleased to have further strengthened our relationship with Phoenix Group and believe that the retirement-focused simplified advice we offer to their retiring customers is the first of its kind to be launched in the market.

Sales of Capped Drawdown reduced by 33.9% to £48.7m (2013/14: £73.7m). Capped Drawdown sales in the prior year were boosted by demand from savers wanting to defer their decision on whether to buy a lifetime income until after the implementation of the new Budget rules, and sales naturally fell off as the new regime approached.

Lifetime mortgage loans

The Group targets an optimally capital-efficient ratio of LTM to combined sales of DB and GIfL contracts of around 25%. However, in the prior year, LTM advances was above target, boosted by a £59.6m wholesale transaction and strong retail demand. We have deliberately managed the ratio down in 2014/15, which meant LTM advances decreased by 35.3% to £308.1m (2013/14: £476.4m). The LTM market continues to grow, and these assets provide a good match for the Group's long-term liabilities, including DB schemes where the profile of liabilities can be of a longer duration than for GIfL contracts due to benefit indexation.

Financial highlights

Underlying operating profit fell by 11% to £86.4m. This was driven by the modest fall in overall Retirement Income sales, and a fall in new business margin to 3.3% due to pricing pressure following the fall in individual sales after the 2014 Budget. This compares to a new business margin of 4.4% in the prior year, which meant new business profit for the current year fell 31% to £36.8m. This was partly offset by 14% growth in in-force profitability. However, a widening of credit spreads, a fall in expected house price inflation, and a reduction in long-term interest rates all had a negative impact on the overall result for the year. During the year the Group also incurred £19.4m of non-recurring costs (2013/14: £7.0m of non-recurring costs and £5.4m of restructuring costs) mainly relating to the development of new products in response to the pension changes announced in the March 2014 Budget and Solvency II. This meant that the Group reported a loss before tax for the year of £29.6m (2013/14: profit before tax of £92.8m).

Financial investments have increased to £8.5bn (2013/14: £7.5bn). Of these, £5.0bn is invested in corporate bonds, gilts, and liquidity funds, and £3.5bn in LTM advances. Of the corporate bond, gilt and liquidity fund portfolio, 21% is invested in AAA grade investments and in gilts, and 60% is invested in investments rated A grade or higher.

LTM advances continue to provide the Group with a high quality source of enhanced investment return and an appropriate match for the Group's long-duration liabilities. The LTV ratio of the LTM portfolio is at 25% (30 June 2014: 25%).

The Group continues to hold significant liquid assets, and is comfortably able to meet its obligations. Cash and cash equivalents at 30 June 2015 were £313.7m (30 June 2014: £395.6m).

European embedded value ("EEV") amounted to £1,019.3m at 30 June 2015 (30 June 2014: £959.1m). New business value generated during the year after tax amounted to £98.1m (2013/14: £114.9m).

Chief Executive Officer's operating review continued

Capital and dividends

The Group's capital position, measured under both the Pillar 1 and economic capital measures, remains strong and well in excess of risk appetite. The Group economic capital ratio at 30 June 2015 was 176% (30 June 2014: 178%). The Pillar 1 capital ratio was 166% (30 June 2014: 236%) with the fall predominantly reflecting the shift into an asset mix more appropriate to Solvency II rather than any underlying deterioration.

In line with previously stated strategy, the Group will explore, on an ongoing basis, a range of balance sheet options (including assessing the debt capital markets) with a view to providing further financial strength and supporting future growth.

The Just Retirement Board announced on 11 August 2015 that it had agreed the terms of the Merger with Partnership Assurance to create JRP Group plc. In conjunction with the Merger, Just Retirement and Partnership Assurance announced the intention to raise equity capital amounting, in aggregate, to approximately £150m. Further details on the exact quantum and structure of the Capital Raise will be provided at the time of the Capital Raise.

I am particularly pleased that the Board has proposed a final dividend of 2.2p per share, making the total dividend for the year 3.3p. This is in line with the prior year, and the Board believes it to be a suitable and prudent payment at this time.

Business development

The Group has continued to develop its DB business and now does business with all the major employee benefit consultants. We have also launched new modern Guaranteed Income for Life Solutions allowing retirees a wider choice of benefits, launched a Flexible Pension Plan, which when combined with GIfL provides a blend of guaranteed income and investment exposure. We believe we are the first company to offer retirement-focused simplified advice, initially via our recently enhanced relationship with Phoenix Group, and we are optimistic that we can expand the service to include other partners this year. We continue to explore opportunities for geographical diversification and announced the launch of our South African subsidiary earlier this year. Progress with the development of new systems and processes to support Solvency II is on plan, we submitted our internal model application on time and we continue to engage actively with our regulators.

The proposed Merger with Partnership Assurance Group represents a unique opportunity to accelerate our strategy in the next financial year.

Current trading and outlook

The outlook for DB sales remains promising. Growing numbers of trustees continue to advise sponsoring companies to de-risk their balance sheets by transferring DB liabilities to insurers such as Just Retirement. A medically underwritten approach can offer better value for money to schemes whose average life expectancy diverges from national averages, and we envisage that a medically underwritten approach will become standard practice for smaller schemes. We expect to achieve a run-rate of around £400m of DB premiums in the first half of 2015/16, although this business is inherently lumpy and unpredictable.

The pension freedom reforms announced in the 2014 Budget and introduced in April 2015 have created uncertainty across the individual retirement income market, particularly in those channels where regulated financial advice is provided. However, there are early signs of a pick-up in interest in GIfL products, and provided quotations requested translate into applications, we could see an improvement in demand.

The management team remains very focused on business as usual, and is working hard to ensure that any uncertainty caused by the proposed Merger with Partnership Assurance Group does not affect our focus on a first class service for customers and intermediaries.

And finally…

In the last two years we have successfully completed our Initial Public Offering ("IPO"), addressed the 2014 Budget changes, accelerated the growth in our DB business to become our largest product, and transformed our Retirement Income offering from an old style annuity into a diversified proposition offering guaranteed income for life and flexible drawdown. None of this would have been possible without the hard work of my outstanding management team and employees. Our proposed Merger with Partnership Assurance Group will accelerate the rate of change and it is only right for me to recognise the huge efforts the team has already made and will be called on to make as the integration progresses.

In this context I am particularly proud that the quality of our service has not suffered, and that we were awarded the Financial Adviser 5 Star Service award for the tenth consecutive year for annuities and the seventh consecutive year for lifetime mortgages. This is a fantastic and unique achievement.

The values of the Group remain unchanged, and I am confident they will help drive the business forward and continue to create benefits for our shareholders, employees and customers.

Rodney Cook
Chief Executive Officer
16 September 2015

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 (£) 36.8m

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 due to the competitive market for GIfL products during the year which has led to reduced margins, as well as the disruption to the individual retirement income market following the 2014 Budget announcement.

Underlying operating profit (£) 86.4m

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, 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.

European embedded value (£) 1,019.3m

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.

EEV grew by £60.2m during the year. EEV growth in the prior year from 2012/13 reflected the net proceeds received from the IPO as well as the embedded value profits generated over the year.

In-force operating profit (£) 49.6m

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 in-force operating profit has continued to grow as a result of the continued increase in the in-force book of business.

New business sales (£) 1,455.8m

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

The Group has accelerated its DB offering and achieved over five-fold growth in DB sales in the year to 30 June 2015 compared to the prior year. This increase has largely offset the fall in GIfL sales, which have reduced significantly following the 2014 Budget announcement as consumers took stock of the new pension freedoms available to them. The Group manages the ratio of LTM advances around an optimum target of 25% of Retirement Income sales, and as such LTM advances fell during the year as they were brought back into line with this target mix.

Economic capital coverage ratio 176%

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. Economic capital has remained stable during the year to 30 June 2015 and is well in excess of risk appetite.

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 since listing in November 2013.

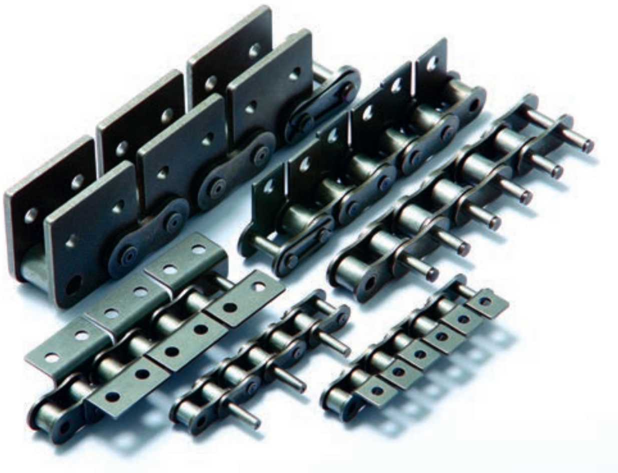
The Board regularly reviews the KPIs against our strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress.

Innovative transaction

for a just retirement

RENOLD

Just Retirement continues to build a formidable reputation for delivering 21st Century solutions to a wide range of businesses struggling to ensure pension scheme liabilities don't sink their longer-term ambitions.



A case in point is the "top-sliced" medically underwritten Buy-In completed during the year with the pension scheme trustees of Renold, the leading international supplier of industrial chains and power transmission products. Keen to manage its legacy pension obligations, it undertook a de-risking process that culminated in Just Retirement completing a £25m pensioner-only transaction.

Top-slicing is an innovation to help employers achieve better value when de-risking by identifying and segmenting those members who represent the largest liabilities within the scheme. It has positive implications for even the largest of employers grappling with legacy pension issues because, once the biggest liabilities are removed, those remaining pose far less of a threat to the business and become easier to secure on reasonable terms.

In the case of Renold, just 36 pensioners and their dependants collectively accounted for a quarter of the scheme's liabilities. When contacted by the trustees, nine in ten volunteered for medical underwriting.

Rather than assuming average life expectancy for the Group, the information collected enabled Just Retirement to more accurately assess individual life expectancy using its unrivalled medical underwriting capability. This capability to calculate and price longevity risk meant the Renold trustees received the most competitive terms, removing the liability for a significant part of the scheme at a discount to the funding valuation and with no additional cost to the company.

In a move that is good for Renold, its employees, its shareholders and its pensioners, it has fully protected its cash flows and balance sheet from future longevity, inflation and interest rate volatility in respect of a quarter of the pension scheme's liabilities – freeing it to focus on growing its business.

"Just Retirement has positively disrupted the defined benefit de-risking segment by innovating and deploying our intellectual property to create competitive advantage"

Financial review

Our financial results demonstrate a positive response to the pension reforms announced in the 2014 Budget, which came into force in April 2015. We have continued to offer customers a just retirement by launching new individually underwritten Guaranteed Income for Life Solutions, which we have developed in response to the pension reforms

"We have demonstrated innovation and very strong growth in the defined benefit de-risking segment during this financial year"

Simon Thomas | Group Finance Director

We have continued to invest in our proprietary underwriting system, PrognoSys™, to ensure our intellectual property continues to provide a competitive advantage and we have demonstrated innovation and very strong growth in the defined benefit de-risking segment during this financial year. We have diversified our offerings to retail customers to ensure they may access the flexibility that the pension reforms offer, through our new Flexible Pension Plan product which was launched in the last quarter of this financial year on a market-leading administration platform.

The financial review describes the Group's financial performance in terms of its business segments 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 writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions and Defined Benefit De-risking Solutions, Care Plans, and Capped Drawdown contracts – and invests the premiums received from these contracts in corporate bonds and Lifetime Mortgage advances.

The Group's other segments include regulated advice and intermediary services, and professional services to corporates.

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 segments.

	2014/15 £m	2013/14 £m	Change £m
New business operating profit	**36.8**	53.1	(16.3)
In-force operating profit	**49.6**	43.6	6.0
Underlying operating profit	**86.4**	96.7	(10.3)
Operating experience and assumption changes	**2.4**	4.7	(2.3)
Other Group companies' operating results	**(8.7)**	(7.5)	(1.2)
Reinsurance and bank finance costs	**(12.5)**	(13.4)	0.9
Operating profit before tax	**67.6**	80.5	(12.9)
Non-recurring and project expenditure	**(19.4)**	(7.0)	(12.4)
Restructuring costs	**–**	(5.4)	5.4
Investment and economic profits	**(74.1)**	44.1	(118.2)
(Loss)/profit before finance and amortisation costs, before tax	**(25.9)**	112.2	(138.1)
Finance costs[1]	**–**	(13.2)	13.2
Amortisation costs	**(3.7)**	(3.9)	0.2
Listing costs	**–**	(2.3)	2.3
(Loss)/profit before tax	**(29.6)**	92.8	(122.4)

1 Finance costs in 2013/14 represent interest payable on loan notes and preference shares that were converted to ordinary share capital following the Group's reorganisation prior to the IPO.

Insurance segment performance

	2014/15 £m	2013/14 £m	Change £m
New business operating profit	**36.8**	53.1	(16.3)
In-force operating profit	**48.8**	42.9	5.9
Underlying operating profit	**85.6**	96.0	(10.4)
Operating experience and assumption changes	**2.4**	4.7	(2.3)
Reinsurance and bank finance costs	**(28.7)**	(20.5)	(8.2)
Operating profit before tax	**59.3**	80.2	(20.9)
Non-recurring and project expenditure	**(16.8)**	(6.2)	(10.6)
Restructuring costs	**–**	(4.6)	4.6
Investment and economic profits	**(74.2)**	44.1	(118.3)
(Loss)/profit before tax from insurance segment	**(31.7)**	113.5	(145.2)

The Group's insurance segment reported an operating profit before tax of £59.3m (2013/14: £80.2m), and a loss before tax of £31.7m (2013/14: profit before tax of £113.5m).

Underlying operating profit

£86.4m

Operating profit

£67.6m

Financial review continued

New business operating profit was £36.8m, compared with £53.1m in the prior year. The decrease of £16.3m primarily reflects the margin pressure on GIfL contracts written during the year, as a result of a competitive market, and the continued impact of the disruption to the retirement income market following the 2014 Budget announcement. The new business operating margin for the year to 30 June 2015 was 3.3%, down from 4.4% in the prior year.

Profits emerging from the in-force portfolio continue to grow, broadly in line with the continued increase in the size of the in-force book of business, and amounted to £48.8m (2013/14: £42.9m), an increase of £5.9m compared to the previous year.

Underlying profit for the insurance segment decreased by £10.4m from £96.0m for the year to 30 June 2014 to £85.6m for the year to 30 June 2015 as a result of the factors described above.

Total operating profit amounted to £59.3m for the year, a decrease of £20.9m compared to the prior year. Total operating profit includes underlying operating profit described above, as well as changes in operating experience and assumptions, and reinsurance and finance costs.

Operating experience and assumption changes, which include expense and mortality experience changes, amounted to a small positive result of £2.4m for the year to 30 June 2015 (2013/14: £4.7m).

Reinsurance and bank finance costs increased by £8.2m to £28.7m for the year to 30 June 2015 (2013/14: £20.5m), primarily driven by increased interest payable on Tier 2 financing from Group corporate companies which amounted to £18.3m (2013/14: £9.5m).

The insurance segment reported a loss before tax for the year to 30 June 2015 of £31.7m (2013/14: profit before tax of £113.5m). In addition to the £20.9m decrease in operating profit described above, the loss before tax includes the impact of non-recurring and project expenditure and investment and economic variances.

Non-recurring and project expenditure amounted to £16.8m (2013/14: £6.2m) and primarily comprises the costs relating to the development and launch of new products in response to the pension reforms announced in the 2014 Budget and costs associated with the continued development of Just Retirement's internal model for Solvency II.

Changes in economic and investment conditions over the year led to a loss of £74.2m, compared to a profit of £44.1m in the prior year. This loss mainly arises from a widening of corporate bond spreads, falls in the expected future property prices, and changes in long-term interest rates.

Other segments

Other Group companies, being those companies providing regulated advice and intermediary services, and professional services to corporates, reported a small operating loss of £3.3m for the year to 30 June 2015 (2013/14: £2.2m).

Corporate activities

	2014/15 £m	2013/14 £m	Change £m
Operating profit before tax	**11.6**	2.5	9.1
Non-recurring expenditure	**(2.6)**	(0.8)	(1.8)
Restructuring costs	**–**	(0.8)	0.8
Investment and economic profits	**0.1**	–	0.1
Finance costs	**–**	(13.2)	13.2
Amortisation of intangibles	**(3.7)**	(3.9)	0.2
Listing costs	**–**	(2.3)	2.3
Profit/(loss) before tax from corporate activities	**5.4**	(18.5)	23.9
(Loss)/profit before tax from insurance and other segments	**(35.0)**	111.3	(146.3)
Group (loss)/profit before tax	**(29.6)**	92.8	(122.4)

Results from corporate activities included operating profit before tax of £11.6m (2013/14: £2.5m) and a profit before tax of £5.4m (2013/14: loss of £18.5m). The increase in operating profit mainly reflects the increased Tier 2 financing income received from the insurance segment during the year. The finance costs of £13.2m incurred in the prior year related to loan notes and preference shares which were repaid as part of the Group restructure prior to the IPO. These finance costs are therefore no longer incurred. Non-recurring expenditure of £2.6m (2013/14: £0.8m) relates to one-off costs incurred by the Group including the development and launch of the Group's South African business. The amortisation of intangible assets amounted to £3.7m (2013/14: £3.9m).

Highlights from Consolidated statement of comprehensive income

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

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Gross premiums written	**1,099.0**	1,200.5
Net premium revenue	**1,927.0**	978.3
Net investment income	**635.2**	456.9
Other operating income	**5.1**	6.9
Total revenue	**2,567.3**	1,442.1
Net claims paid	**(250.5)**	(206.6)
Change in insurance liabilities	**(2,095.9)**	(853.8)
Change in investment contract liabilities	**(3.5)**	(2.4)
Acquisition costs	**(18.5)**	(31.1)
Other operating expenses	**(127.6)**	(126.8)
Finance costs	**(100.9)**	(128.6)
Total claims and expenses	**(2,596.9)**	(1,349.3)
(Loss)/profit before tax	**(29.6)**	92.8
Income tax	**4.8**	(20.3)
(Loss)/profit after tax	**(24.8)**	72.5

Gross premiums written

Gross premiums written are the total premiums received by the Group in relation to its GIfL, DB and Care Plan contracts in the year, gross of commission paid.

Gross premiums written for the year to 30 June 2015 were £1,099.0m (2013/14: £1,200.5m). Whilst the Group saw a fall in sales of GIfL contracts, which decreased by 57% year-on-year primarily due to the impact of the Budget announcement in March 2014, this was very nearly fully offset by the significant increase in sales of DB contracts, which increased over five-fold compared to the prior year from £92m to £609m.

Net premium revenue

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

Net premium revenue increased from £978.3m in 2013/14 to £1,927.0m in 2014/15. This increase mainly reflects the impact of the reinsurance recapture during the year. During the year the Group repaid the reinsurance financing relating to certain underwriting years and exercised its option to recapture the reinsured policies relating to these years, increasing net premium revenue by £950.9m. In addition, the cost for reinsurance premiums ceded fell compared to the prior year, reflecting the reduction in sales of GIfL contracts, a proportion of which are reinsured.

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 £178.3m, from £456.9m for the year ended 30 June 2014 to £635.2m for the year ended 30 June 2015.

The majority of the increase in net investment income relates to the movement in fair value of financial assets, which was £568.1m (2013/14: £267.9m), offset by the movement in value of derivative financial instruments of £129.3m (2013/14: £16.6m), both of these driven by the falling long-term interest rate environment over the year to 30 June 2015.

Net claims paid

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

Net claims paid increased by £43.9m from £206.6m at 30 June 2014 to £250.5m at 30 June 2015, reflecting the continuing growth of the in-force book offset by the reinsurers' share of claims paid.

Change in insurance liabilities

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

Change in insurance liabilities increased by £1,242.1m from £853.8m for the year to 30 June 2014, to £2,095.9m for the year to 30 June 2015. The gross change in liabilities was similar year-on-year; the increase in the overall change relates to the reinsurers' share of insurance liabilities and reinsurance recapture. Both these line items are driven by the carrying value of the Group's reinsurance assets. These reinsurance assets have decreased during

Financial review continued

the year to 30 June 2015 as a result of the recapture of policies relating to certain underwriting years, as there is no longer any associated reinsurance assets relating to the underwriting years once these have been recaptured.

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 £12.6m from £31.1m for the year to 30 June 2014 to £18.5m for the year to 30 June 2015, primarily as a result of lower sales of GIfL and LTM contracts compared to the prior period.

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 £0.8m from £126.8m for the year to 30 June 2014 to £127.6m for the year ended 30 June 2015. The small increase is mainly driven by non-recurring costs of £19.4m incurred by the Group during the year, mainly relating to the cost of developing new products in response to the pension reforms announced in the 2014 Budget, and the continued costs of preparation for the Solvency II regime which will come into effect from 1 January 2016, offset by savings made by the Group as a result of the cost restructuring entered into in the prior year.

Finance costs

Finance costs represent interest payable on the deposits received from reinsurers, interest on reinsurance financing and bank finance costs, and, in the prior year, interest and dividend expense on the Group's loan notes and preference shares.

Finance costs decreased by £27.7m from £128.6m for the year to 30 June 2014 to £100.9m for the year to 30 June 2015. The decrease is due to both the conversion of the loan notes and preference shares to ordinary share capital following the Group's reorganisation prior to the IPO in November 2013, together with a fall in the interest payable on deposits received from reinsurers as a result of the fall in the reinsurance balances.

Income tax

There is an income tax credit of £4.8m for the year to 30 June 2015 (2013/14: charge of £20.3m). The effective tax rate has decreased due to reductions in the UK rate of corporation tax, and the tax credit also includes the impact of 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.

	As at 30 June 2015 £m	As at 30 June 2014 £m
Assets		
Financial investments	**8,494.7**	7,490.0
Reinsurance assets	**2,477.1**	3,616.3
Other assets	**276.8**	242.7
Total assets	**11,248.6**	11,349.0
Share capital and share premium	**51.3**	51.3
Reorganisation reserve	**347.4**	347.4
Accumulated profit and other adjustments	**415.3**	454.1
Total equity	**814.0**	852.8
Liabilities		
Insurance liabilities	**7,440.3**	6,483.6
Other financial liabilities	**2,643.2**	3,653.6
Insurance and other payables	**22.7**	35.5
Other liabilities	**328.4**	323.5
Total liabilities	**10,434.6**	10,496.2
Total equity and liabilities	**11,248.6**	11,349.0

Financial investments

The table labelled Financial investments ratings provides a breakdown by credit rating of financial investments where applicable as at 30 June 2015 compared with the position at 30 June 2014. Financial investments increased by £1.0bn from £7.5bn at 30 June 2014 to £8.5bn at 30 June 2015 mainly due to the continued investment of new business premiums into gilts, corporate bonds and LTM contracts. The quality of the corporate bond portfolio remains high and there were no corporate bond defaults during the year (2013/14: £nil). The loan to value ratio of the mortgage portfolio remained in line with the prior year at 25%.

Financial investments ratings	As at 30 June 2015 £m	As at 30 June 2014 £m
AAA[1] and gilts	**1,045.6**	614.7
AA	**241.6**	612.9
A	**1,699.3**	1,943.3
BBB	**1,707.9**	1,546.4
BB or below	**120.6**	23.3
Unrated[1]	**207.9**	–
Loans secured by mortgages	**3,471.8**	2,749.4
Total	**8,494.7**	7,490.0

1 Includes units held in liquidity funds

Other balances
Reinsurance assets decreased by £1.1bn from £3.6bn at 30 June 2014 to £2.5bn at 30 June 2015 as a result of the reinsurance recapture during the year, offset by the impact of new business reinsured.

Insurance liabilities increased from £6.5bn at 30 June 2014 to £7.4bn at 30 June 2015 due to liabilities arising on new insurance business written less claims paid in the period.

Other financial liabilities reduced by £1.1bn from £3.7bn at 30 June 2014 to £2.6bn at 2015. These liabilities relate mainly to deposits received from reinsurers, the balance of which has decreased mainly as a result of the reinsurance recapture during the year.

Insurance and other payables decreased by £12.8m from £35.5m at 30 June 2014 to £22.7m at 30 June 2015, the decrease mainly relates to timing differences on amounts owed to investment brokers.

Other liability balances are in line with the prior year, increasing slightly by £4.9m from £323.5m at 30 June 2014 to £328.4m at 30 June 2015.

The increase from new investments in Capped Drawdown contracts within this balance (net increase of £30.9m) has been offset by reductions to other balances, including current tax payable (decrease of £20.0m).

Total equity decreased by £38.8m from £852.8m at 30 June 2014 to £814.0m at 30 June 2015, reflecting the loss after tax for the year of £24.8m, dividends paid of £16.5m, and small adjustments for foreign exchange differences and share-based payments.

Financial investments 30 June 2015

	£m
Loans secured by mortgages	3,471.8
Unrated	207.9
BB or below	120.6
BBB	1,707.9
A	1,699.3
AA	241.6
AAA and gilts	1,045.6

Financial investments 30 June 2014

	£m
Loans secured by mortgages	2,749.4
Unrated	0
BB or below	23.3
BBB	1,546.4
A	1,943.3
AA	612.9
AAA and gilts	614.7

Financial review continued

European embedded value

Group EEV increased by £60.2m from £959.1m at 30 June 2014 to £1,019.3m at 30 June 2015, due to EEV profit of £74.0m for the period, share-based payments of £2.7m and dividends paid of £16.5m.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
JRH Group EEV at start of period	–	503.9
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
JRG Group EEV at beginning of period	**959.1**	
Total comprehensive income for the period	**74.0**	140.1
Share-based payments	**2.7**	4.3
Dividends	**(16.5)**	–
Acquisition of non-controlling interest	–	(0.3)
JRG Group EEV at end of period	**1,019.3**	959.1

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.

	As at 30 June 2015		As at 30 June 2014	
	Group economic capital £m	**Pillar 1 (JRL) £m**	Group economic capital £m	Pillar 1 (JRL) £m
Total available capital	**916**	**556**	1,004	676
Capital required	**(521)**	**(336)**	(564)	(287)
Excess available capital resources	**395**	**220**	440	389
Coverage ratio	**176%**	**166%**	178%	236%

The Group economic capital ratio remains well in excess of the target ratio of 140%, and the ratio at 30 June 2015 of 176% is in line with the prior year ratio of 178%.

The Pillar 1 capital ratio has reduced to 166% at 30 June 2015 from 236% at 30 June 2014; this mainly reflects the change to an asset mix more appropriate to the Solvency II regulatory framework together with the impact of falls in long-term interest rates.

European embedded value

£1,019.3m

Economic capital coverage ratio

176%

Full year dividend

3.3 pence

2014 Full year dividend 3.3 pence[1]

1 Notional interim dividend of 1.1 pence and actual final dividend of 2.2 pence

Solvency II
The Group continues to prepare for the new Solvency II regime, which comes into force on 1 January 2016. The Group's Solvency II programme is on track, with internal model application submitted to the PRA in May 2015, and applications for matching adjustment, volatility adjustment and transitional measures submitted to the PRA in June 2015.

Dividends
The Group paid a final dividend of 2.2 pence per share in respect of the year to 30 June 2014, and paid an interim dividend of 1.1 pence per share in respect of the year to 30 June 2015. The Board has recommended a final dividend of 2.2 pence per share in respect of the year to 30 June 2015, bringing the total dividend for the year to 30 June 2015 to 3.3 pence per share.

Proposed Merger
On 11 August 2015 the Boards of Just Retirement Group plc and Partnership Assurance Group plc announced they had reached agreement on the terms of a recommended all-share Merger to create JRP Group plc. The Merger is expected to result in Just Retirement shareholders owning approximately 60% of the Combined Group and Partnership Assurance shareholders owning approximately 40% of the Combined Group. Just Retirement and Partnership Assurance intend to raise equity capital amounting to £150m in aggregate.

Simon Thomas
Group Finance Director
16 September 2015

Corporate responsibility review

During the past 12 months, we have continued to modernise our Corporate Social Responsibility ("CSR") programme of activities by aligning it with our business strategy. Through our programme we ensure that Just Retirement continues to make a positive difference to the lives of others by focusing on the following areas: charity and community, environment, our business and our people

Charities

Just Retirement has continued to strengthen its relationships with Alzheimer's Research UK, a national charity, and St Catherine's Hospice, a charity based near our Reigate headquarters. In April 2015, we added Northern Ireland Hospice in Belfast to charities the Group supports.

The Company matches all the donations made by staff to these charities. At the end of 2014 the Group introduced a payroll giving scheme to help employees easily donate to charities of their choice.

As part of Just Retirement's sponsorship of a garden at the 2014 Hampton Court Palace Flower Show, we funded the planting of a new garden at St Catherine's Hospice. We also donated flower show tickets to Alzheimer's Research UK and St Catherine's Hospice, to use in their fundraising activities.

Community

In conjunction with our sponsorship of the World Indoor Bowls Championships in January 2015 and partnership with the English Indoor Bowling Association, we made it possible for Donyngs Indoor Bowls Club, based in Redhill near our headquarters, to host a tournament for people with disabilities. The event was made possible by a Just Retirement funded upgrade to facilities. In addition to funding the work, we took 50 Donyngs members – most of them retirees – to the World Indoor Bowls Championships for a day.

Since May 2015, we've given employees time to volunteer for community projects that support their team-building and personal development. The Group participated in this year's global Give & Gain Day, when a team of employees helped redecorate a section of a local primary school. We continue to support students at Reigate School as part of a mentoring scheme run by the education charity SATRO. In October 2014, we were honoured with the Surrey Youth Focus Business Award, which recognises businesses that make a positive impact to the lives of young people in Surrey.

Environment and sustainability

We continue to undertake a number of environmental initiatives to raise awareness of sustainability. For the first time, Just Retirement participated in the annual CDP Survey (formerly the Carbon Disclosure Project). Later this year, the Group will conduct an energy savings opportunity scheme energy audit (ESOS regulations 2015).

Type of emissions	Activity	2014/15 tCO_2e	2013/14 tCO_2e	tCO_2e % difference
Direct (Scope 1)	Natural gas	**95**	127	(25.2)
Indirect (Scope 2)	Electricity	**869**	652	33.3
Indirect (Scope 3)	Staff commuting	**1,342**	1,524	(11.9)
	Business travel	**759**	651	16.6
	Waste	**1**	1	–
	Water	**8**	6	33.3
	Well to tank/Transmission & distribution losses	**506**	498	1.6
	Paper	**46**	39	17.9
		2,662	2,719	(2.1)
Total gross emissions (tCO_2e)		**3,626**	3,498	3.7

Intrinsic metric	2014/15	2013/14	% difference
Total gross emissions (tCO_2e)	**3,626**	3,498	3.7
Turnover (£m)	**1,099**	1,201	(8.5)
Total gross emissions per £m turnover	**3.30**	2.91	13.4

Sustainability

This report details Just Retirement's greenhouse gas ("GHG") emissions for the 12 months ending 30 June 2015. We have identified all facilities and activities over which Just Retirement has operational control.

Using the ISO 14064–1:2006 standard we have identified relevant activity data for Scope 1, 2 and 3 emissions with the support of independent consultant, Carbon Clear. Data from all emission sources has been collected and the validity and completeness of the data set was checked by Carbon Clear.

The calculation of our total GHG emissions was performed following ISO 14064–1:2006 standards and using DEFRA 2014 emission factors.

As this is the second year that we have reported our GHG emissions, we have compared our environmental performance to our baseline year of 2013/14. We continue to report our chosen intensity ratio of tonnes of CO_2e per £m revenue, in order to compare our emissions performance over time.

We have recalculated and restated our 2013/14 emissions and intensity ratio to account for our newly acquired office in South Africa, revised waste and turnover figures, and newly available benchmark factors.

The results for Scope 1, 2 and 3 emissions are presented below, along with our intensity ratio for 1 July 2014 to 30 June 2015.

Total gross GHG emissions in the period were **3,626 tonnes of CO_2e**, comprised of the following:

- Direct emissions (Scope 1) – **95 tonnes of CO_2e**, or 3% of total GHG emissions
- Indirect emissions (Scope 2) – **869 tonnes of CO_2e**, or 24% of total GHG emissions
- Indirect emissions (Scope 3) – **2,662 tonnes of CO_2e**, or 73% of total GHG emissions

Along with the above, Just Retirement participated in TravelSmart, a Surrey County Council initiative which aims to help businesses become more productive by encouraging employees to use sustainable methods of transport. The Group won first place in the TravelSmart awards for large organisations.

Our business: campaigning for a better retirement

In an open letter to the Prime Minister sent on 20 May 2015, Just Retirement joined 16 organisations, including a number of independent charities, to call for action to tackle the threats of loneliness, inadequate housing and the lack of care and support faced by the elderly.

In January 2015, the FCA set out new requirements for providers to take steps to protect customers from costly decisions, a change publicly advocated by Just Retirement right from the start of pension reforms. Since Guaranteed Guidance was announced, Just Retirement campaigned for better protections for consumers who choose not to use the guidance, in the form of providers taking a bigger role in safeguarding customers from making uninformed decisions.

Our business: customer focus

As part of the National Customer Service Week, a UK initiative by the Institute of Customer Service, more than 400 of our employees – including members of the Group Executive – took part in an immersive event about customer service. Part of this included the Customer Challenge, which gave employees the chance to experience simulated signs of ageing while carrying out a series of activities, including calling a customer service line.

Our business: awards

Just Retirement has continued to win praise and recognition. For the second year, we received a Gold Standard Award for our high standards of service, fair value and trust. And we again received 5 Star ratings for both Life & Pensions and Mortgage Lenders & Packagers categories at the 2014 Financial Adviser Service Awards. This means we have now held 5 Star ratings for ten years (Life & Pensions) and seven years (Mortgage Lenders & Packagers).

Our people

To help employees remain healthy and energised, we run a corporate well-being programme. Our employees benefit from quarterly well-being events, which provide them with health treatments and advice from health and well-being professionals.

Case study 1

Just Retirement takes part in global Give & Gain Day

In May 2015, Just Retirement took part in Give & Gain Day, a global day of voluntary action. Ten members of Human Resources redecorated a section of Gossops Green Community Primary School in Crawley. The activity was a pilot for a new initiative that seeks to:

- Give the community first-hand experience of our Group's social values and brand;
- Provide employees with an opportunity outside of the office environment to develop and use skills to enhance personal and professional development; and
- Strengthen collaboration in teams.

Dawn Martin, Head Teacher of Gossops Green Community Primary School said: "The team has been an absolute delight to work with and we can't thank them enough for their generous contribution to making the school a nicer place for our children to work in."

Case study 2

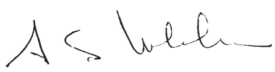
Volunteer mentors recognised in county awards

In October 2014, we received the Surrey Youth Focus Business Award for our employees' participation in the SATRO youth mentoring programme and the positive impact it has had on the lives of young people in Surrey.

Terry Brown, from Just Retirement's Programme Management team, has been a SATRO volunteer mentor since the programme began five years ago.

He said: "Being a mentor is about boosting the children's sense of self-worth and self-belief, as I believe every child has amazing potential.

"The interaction helps to improve both the mentee's and my own confidence, motivation and ability to interact with people outside of our own peer groups. Being part of this great initiative, I have seen the benefits materialise in the mentees and benefited immensely myself."



Steve Melcher
Non-Executive Director

Principal risks and uncertainties

Through a strong risk culture, we are confident of achieving our aspirations of competitive advantage through better business decisions

Risk management

Purpose

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

Risk framework

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

Risk evaluation and reporting

We evaluate risks in our operating environment supported by scenario analysis and decide how best to manage the risks within our risk appetite. Management regularly review their risks and produce reports to provide assurance that material risks in the business are being mitigated. The Risk team, led by the Chief Risk Officer ("CRO"), challenges the management team on the effectiveness of its risk management. The CRO provides the Group Board's Risk and Compliance Committee with his independent assessment of the principal risks to the business and emerging risk themes.

Financial risk modelling is used to assess the amount of each risk type against our risk appetite. This modelling aligns to our economic and regulatory capital requirements to allow the Board to understand the capital consumed by our principal risks. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

Own Risk and Solvency Assessment

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

Principal risks and uncertainties

Risk	Strategic link	Description and impact	Mitigation and management action	Risk outlook
Risks from our chosen market environment		Just Retirement operates in a highly regulated market; changes in relevant legislation and regulation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital. The pension reforms introduced in April 2015 have had a fundamental impact on the retirement income market. At present it is difficult to predict what the new norm of customer behaviour will be in the longer term. Just Retirement expects that a sizeable segment for guaranteed income for life solutions will still operate as many consumers surveyed say that they want an income that will not run out before they die. Other changes being considered by the government such as secondary annuity trading and alternative approaches to the taxation of pension contributions may in time affect the market in which we operate. The Group's strategy and business plans are highly sensitive to changes in the assumptions we make about these market factors and uncertainties.	Our approach to legislative and regulatory change is to focus on active participation and engagement with policy makers and regulatory bodies in the UK and Europe, and this will not change. The Group has responded to the pension reforms by evolving its strategy and developing new products and advice offerings. This followed a careful appraisal of the inherent risks presented by the changes. However, the Group will need to remain agile and prepared to flex its assumptions in response to market dynamics. The Group believes it is well placed to adapt to the changing market, supported by our brand promise, innovation credentials and financial strength. The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.	

Strategic priorities

- Ensure our sustainable future
- Increase our customer-centricity
- Drive efficiency and adaptability
- Build a winning organisation

Risk outlook

- No change
- Increasing risk
- Decreasing risk
- New risk

Risk	Strategic link	Description and impact	Mitigation and management action	Risk outlook
Risks from regulatory changes	Drive efficiency and adaptability	The financial services industry continues to see a high level of regulatory change and more intense regulatory supervision with proactive and punitive enforcement activity. The FCA 2015/16 Business Plan identified areas of focus across the financial services industry including the actions resulting from the thematic review into the retirement income market and possible remediation activity for customers who may have been mis-sold annuities by their incumbent pension provider. Solvency II, the new European prudential regulatory framework, has introduced wide-ranging changes for the insurance industry in terms of governance, risk management and solvency capital requirements and comes into force on 1 January 2016. The Group is seeking regulatory approval to use an internal model and a matching adjustment to calculate its solvency capital and to employ transitional measures to calculate its technical provisions. Any approvals not being forthcoming, or being given subject to onerous terms, could increase the Group's solvency capital requirements.	The regulatory agenda for the forthcoming year covers many areas directly relevant to the Group. We monitor these developments on an ongoing basis, assess their potential impacts and engage fully with regulatory bodies to implement regulatory change 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 regulatory changes may involve a high degree of strategy execution risk associated with the scale and pace of change. Our preparations for Solvency II are well advanced and on target to ensure full compliance ahead of implementation. Notably considerable effort has been invested in submitting high quality applications for regulatory approval of the internal model, matching adjustment and technical provision transitional measures. We are providing additional information as required by the regulator to facilitate approval of the applications and have contingency plans in place should any approvals not be forthcoming.	Increasing risk
Risks from our pricing assumptions	Drive efficiency and adaptability	The writing of long-term retirement income and LTM business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest rates and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches. The Group's assumptions on these risk factors may be materially inaccurate requiring them to be recalibrated. This could affect the level of reserves needed with an impact on profitability and the Group's solvency position.	To manage the risk of our longevity assumptions being incorrect, the Group has developed its own proprietary underwriting system, PrognoSys™, which provides insights and enhanced understanding of the longevity risks that the Group chooses to take. Longevity experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving basis for liabilities. No changes have been made to GIfL longevity assumptions and reserves during the year. Some longevity risk exposure is shared with reinsurance partners, who perform due diligence on the Group's approach to risk selection. The related counterparty risk of the reinsurer failing to meet its repayment obligations is managed by the reinsurer depositing the reinsurance premiums back to the Group for the financing treaties and by collateral arrangements for the longevity swaps.	No change

Principal risks and uncertainties continued

Risk	Strategic link	Description and impact	Mitigation and management action	Risk outlook
Risks from the economic environment		The premiums paid by the Group's customers are invested to enable future benefit payments to be made. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. An adverse market could increase the risk of credit downgrades and defaults in our corporate bond portfolio. Loose monetary policy has supported global growth since the financial crisis. As recovery becomes more evident, the UK and US central banks will cautiously tighten monetary policy with interest rates expected to rise in the next 12 months. In an environment of very low risk-free interest rates and large-scale purchases of assets by central banks across advanced economies, investors are more willing to accept higher credit and liquidity risk to improve investment returns. These conditions could make it difficult to source sufficient assets to offer attractive retirement income terms. Low credit spreads similarly affect the income that can be made available although margins from our LTM portfolio help offset this risk. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's DB business volumes grow, its exposure to inflation risk increases. A fall in residential property values could reduce the amounts received from LTM redemptions and may affect the relative attractiveness of the LTM product. The solvency capital needed to support the no-negative equity guarantee in the LTM product also increases if property values drop. Significant rises in property values could increase early mortgage redemptions. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives.	Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes and to inform management action plans. The Group's strategy is for its investment portfolio to comprise high quality, low-risk assets to facilitate management of the asset and liability matching position. Portfolio credit risk is managed by specialist fund managers executing a diversified investment strategy in investment grade assets while adhering to counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors of investment assets. Such diversification can create an exposure to foreign exchange risk, which is controlled using derivative instruments. Swaps and swaptions are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements. The Group's exposure to inflation risk through DB business volumes is managed with inflation hedging mechanisms. For LTM, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the loan to property value ratio supported by product design features, initial underwriting and monitoring of the exposure to adverse house price movements. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There is little short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels both short-term and long-term and stress tests help us understand any potential pinch points. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.	

Risk	Strategic link	Description and impact	Mitigation and management action	Risk outlook
Risks to Just Retirement's brands		The Group's vision is to be the leading retirement brand known and trusted for enriching our customers' lives. Damage to our brands and/or reputation may adversely affect our underlying profitability, through reducing sales volumes, limitation of distribution channels and increasing capital requirements. 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 other insurers in our sector. Equally large organisations are increasingly becoming targets for cyber-crime, particularly if those organisations hold customers' personal details. Just Retirement is no exception and a cyber-attack could affect customer confidence.	The Group has a low appetite for reputational damage and actively seeks to differentiate its business from competitors by investing in the Group's brands. Fairness to customers and high service standards are at the heart of our brand promise. Risks to Just Retirement's reputation are mitigated in part by actively engaging with government policy makers and regulators to ensure the retirement needs of customers are understood. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations. Our information security is under constant review as the cyber-threat evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. We remain vigilant to the range of cyber-risks but recognise the speed of change in cyber-threats means that a risk exposure remains.	
Risks arising from the proposed Merger with Partnership Assurance		On 11 August 2015 the Group announced its intention to merge with Partnership Assurance, and in doing so deliver significant strategic and financial benefits for the Combined Group. Merger integration is a complex process and it may cost more to realise the intended synergies, take more time or indeed result in fewer than intended synergies. During the integration process, there is a risk that management are distracted from running the day-to-day business, which could result in lost opportunities. The impacts of combining two organisations may produce undesirable impacts on the culture of the future organisation, which in turn may impact its future effectiveness.	We have announced that the Group will raise up to £150m to support new business and product development, meet one-off transaction and integration costs and support the regulatory capital strength of the Combined Group under Solvency II. Due to the overlapping nature of the two organisations, we believe that it will be possible to maintain business as usual activity and move strategic development forward at the same time as integrating the businesses. The integration plans will reflect this approach. The integration philosophy that we have adopted is "best of both" and this will set the tone for the culture of the new organisation.	

The Board confirms in the Directors' responsibility statement on page 55 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
16 September 2015

Mix and match

for a just retirement

"The last couple of years have not been the easiest but we are looking forward to enjoying retirement without any money worries," says Jim Smith, sitting with his wife Joanna and sipping tea in their small, neat garden.

The "freedom and choice" pension reforms were directly aimed at helping retirees like Jim and Joanna make the most of their accumulated funds. After steady careers, they approached retirement with a mix of pensions between them plus some modest savings and investments that were recently boosted by a small inheritance.

"I was never a high flier and saw good and bad times but we always earned enough to pay the bills and bring up the family and sometimes even to save a little too," said the 65-year-old. "The last few years were touch and go because my company was struggling which meant more work for less money and the threat of redundancy. At the same time we were looking after my father in his last months and the stress was having an impact on my health too.

"There was a huge sense of relief when we finally realised we could afford to retire without too many worries about how to pay the bills."

While Jim sensed that the pension reforms would give him more options when using their pension money, he struggled to understand many of the finer details or to decide the best course of action for their personal circumstances. "We had planned to take the tax-free cash from our pensions but there were so many choices about what to do with the rest," he said.

"In the end I contacted a professional adviser who explained what the options were and then recommended a 'mix and match' combination that enabled us to have the income we needed now while still keeping some of our pension for later."

He said that the adviser made them realise that their combined State pensions plus Joanna's small company pension income she already receives would fall far short of the target level of income required to meet "essential" spending on items such as utility bills, food and transport. And they were still about £100 a month short even after including the secure income from his membership of a defined benefit pension scheme early in his career.

"My main private pension fund looked like a big number but it has to last the rest of our lives. The adviser showed us that we could use some of that fund to buy a guaranteed income that would provide the £100 we needed to top us up to our essential spending target. And by taking my minor heart issues into account, she was able to secure a bit more income too which meant we did not have to use so much of the fund."

Mr Smith accepted the recommendation to invest his personal pension through Just Retirement, splitting it between providing guaranteed income up to the level of their essential spending, with the rest in a Flexible Pension Plan invested in low-cost passive funds reflecting their cautious attitude to taking investment risks.

"At the moment we have the income we need and some savings to treat ourselves and the grandchildren if we feel like it. And there is still some pension money to call on later, either as a lump sum or more income, or to pass on if we don't need it.

"This is really the first time in my life that I know with total confidence that we have the income we need plus a little extra tucked away. We've always been sensible with our money but now we have enough for the rest of our lives."

The people in this case study are for illustrative purposes only. Any resemblance to actual people is unintentional.

Board of Directors

Tom Cross Brown

Independent Non-Executive Chairman (67)

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 (58)

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 37 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 (51)

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 ten years at Nationwide Building Society, latterly as Group Financial Controller. Simon has over 14 years' experience in the UK life assurance industry, and 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 (56)

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 34 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.

James Fraser

Non-Executive Director (50)

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 Non-Executive Director of Just Retirement Limited and Just Retirement Solutions Limited.

Keith Nicholson

Senior Independent Director (65)

Keith Nicholson was appointed as a Non-Executive Director in October 2013. He is 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 in 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 Audit Committee and a member of the Risk and Compliance Committee, Remuneration, Nominations and Market Disclosure Committees. He is also 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 (55)

Kate Avery was appointed as a Non-Executive Director in October 2013. She is 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 (62)

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, Remuneration and Risk and Compliance Committees, a Non-Executive Director of Just Retirement Limited and Chairman of its Investment Committee, and a Non-Executive Director of Just Retirement Solutions Limited.

Steve Melcher

Independent Non-Executive Director (66)

Steve Melcher was appointed as a Non-Executive Director on 15 May 2015. Steve has worked in financial services for over 40 years during which time he has held posts at JP Morgan, Marsh & McLennan and as CEO of Eagle Star, Allied Dunbar and Sun Life of Canada UK. He now has a portfolio of roles, including as a Non-Executive Director of Allianz Re in Dublin and as Chairman of Euler Hermes Pension Fund. He is also an executive mentor which takes him inside many different industries. Steve is Chairman of the Risk and Compliance Committee and a member of the Nominations and Audit Committees. He is a Non-Executive Director of Just Retirement Limited and a member of its Investment Committee.

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 2015.

The Strategic Report on pages 1 to 47 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 87.

An interim dividend for the year of 1.1 pence per ordinary share was paid on 14 May 2015 to shareholders on the register at the close of business on 17 April 2015 (2014: nil pence per share). The Directors recommend a final dividend for the year of 2.2 pence per ordinary share to be paid on 7 December 2015 to shareholders on the register at the close of business on 13 November 2015 (2014: 2.2 pence per share).

Post balance sheet event

On 11 August 2015, the Boards of Just Retirement Group and Partnership Assurance Group plc announced that they had reached agreement on the terms of a recommended all-share Merger to create JRP Group plc. The Merger announcement was an advertisement and not a prospectus or prospectus-equivalent document. It is proposed to publish in due course a Prospectus and Circular regarding the Merger for consideration by shareholders.

Further information is given in note 38 to the financial statements.

Directors

The present Directors of the Company are shown on pages 50 and 51.

Directors on the Board during the year and up to the date of this report are as follows:
Tom Cross Brown
Keith Nicholson
Kate Avery
Michael Deakin
Les Owen (resigned on 25 November 2014)
Steve Melcher (appointed on 15 May 2015)
James Fraser
Rodney Cook
Simon Thomas
Shayne Deighton

All the present Directors of the Company will be subject to re-election by shareholders at the Annual General Meeting ("AGM") on 23 November 2015.

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 on pages 56 to 65 which forms part of this Directors' Report and is incorporated by reference.

The Board considers that it has complied with the provisions of the Code during the year and up to the date of the Directors' Report, except with respect to the composition of the Board following the resignation of Les Owen with effect from the conclusion of the AGM on 25 November 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. The Board considered that, following last year's AGM, 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. On 15 May 2015 the Board appointed Steve Melcher as the fourth Independent Non-Executive Director and so complied with the Code provision for a balanced Board.

Directors' insurance and indemnities

The Directors and officers of the Company 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 77 of the Remuneration Report.

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 52.3% 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 20 on pages 116 and 177.

At 16 September 2015 the Company had been notified of the following shareholdings of 3% or more of the Company's share capital:

Shareholder	Ordinary shareholding at 30 June 2015	% of capital	Ordinary shareholding at 16 September 2015	% of capital
Avallux S.à.r.l.	261,788,257	52.3	261,788,257	52.3
Schroders plc	27,325,444	5.5	27,325,444	5.5
Kames Capital Plc	–	–	15,274,328	3.1

On 6 March 2015, Avallux S.à.r.l. sold 50,085,735 ordinary shares in the Company through a secondary placing in the London stock market, reducing their shareholding from 311,873,992 to 261,788,257 ordinary shares and their interest in the voting rights of the Company from 62.3% to 52.3%.

As at 30 June 2015, the Company held a valid authority from shareholders to make market purchases of up to an aggregate of 50,083,000 ordinary shares, representing 10% of the Company's issued ordinary share capital as of 17 September 2014. The Company did not repurchase any ordinary shares during the year. As at 30 June 2015, the Company also held valid authorities from shareholders to:

(i) allot ordinary shares under a rights issue up to an aggregate nominal value of £33,388,666 representing approximately two-thirds of the issued ordinary share capital as at 17 September 2014;

(ii) allot ordinary shares under an open offer or in other situations up to an aggregate nominal value of £16,694,333 representing approximately one-third of the issued ordinary share capital as at 17 September 2014; and

(iii) allot ordinary shares for cash, otherwise than in connection with a rights issue, up to an aggregate nominal value of £2,504,000 representing approximately 5% of the issued ordinary share capital as at 17 September 2014.

These authorities will expire at the end of the AGM to be held on 23 November 2015 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.

Employees

Further information on employee communications, development and diversity is given on pages 17, 26 and 27.

During the year 33,636 ordinary shares with a nominal value of £3,364 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

The Company is subject to change of control provisions in the following significant agreements:

The Relationship Agreement with Avallux S.à.r.l. (the Company's principal shareholder holding 52.3% 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 S.à.r.l. 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. The Company entered into the Relationship Agreement to ensure that it would be able, at all times, to carry on its business independently of Avallux S.à.r.l. and that all transactions and relationships between the Company and Avallux S.à.r.l. would be at arm's length and on a normal commercial basis. Under the Relationship Agreement, Avallux S.à.r.l. 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 and 22 December 2014) in relation to Just Retirement Limited's GIfL policies written from 1 July 2004 to 31 December 2015 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 GIfL policies written from 1 July 2012 to 31 December 2014 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 GIfL policies written from 1 July 2004 to 30 June 2012.

An 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 prepayment at the option of the lenders on the occurrence of a change of control of the guarantor.

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 25 to the financial statements. Disclosure with respect to financial risk is included on pages 44 to 47 of the Strategic Report and in note 33 to the financial statements.

Political contributions

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2014: £nil).

Greenhouse gas emissions

Information about the Group's greenhouse gas emissions is given on page 42.

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.

Auditor

The Company's Auditor has indicated its willingness to continue in office. The Board has agreed, based on the recommendation of the Audit Committee, that a resolution will be put to shareholders at the forthcoming AGM for the appointment of KPMG LLP as Auditor of the Company for the year ending 30 June 2016 and to authorise the Board's Audit Committee to determine the remuneration of the Auditor. The 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 63 and 64 in the Corporate Governance Report.

Annual General Meeting

The Company's 2015 AGM will be held at Reigate Town Hall, Castlefield Road, Reigate, Surrey RH2 0SH at noon on Monday 23 November 2015. The Notice of Annual General Meeting, and the Annual Report and Accounts, will be sent to shareholders at least 20 working days prior to the date of the meeting. 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 Accounts. The Chairmen of the Board's Committees will be present at the AGM to answer any questions put to them by shareholders.

By order of the Board:

Martin Smith
Group Company Secretary
16 September 2015

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
16 September 2015

Corporate governance report 2015
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 in response to the challenges and opportunities of a changing market.

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. We 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.

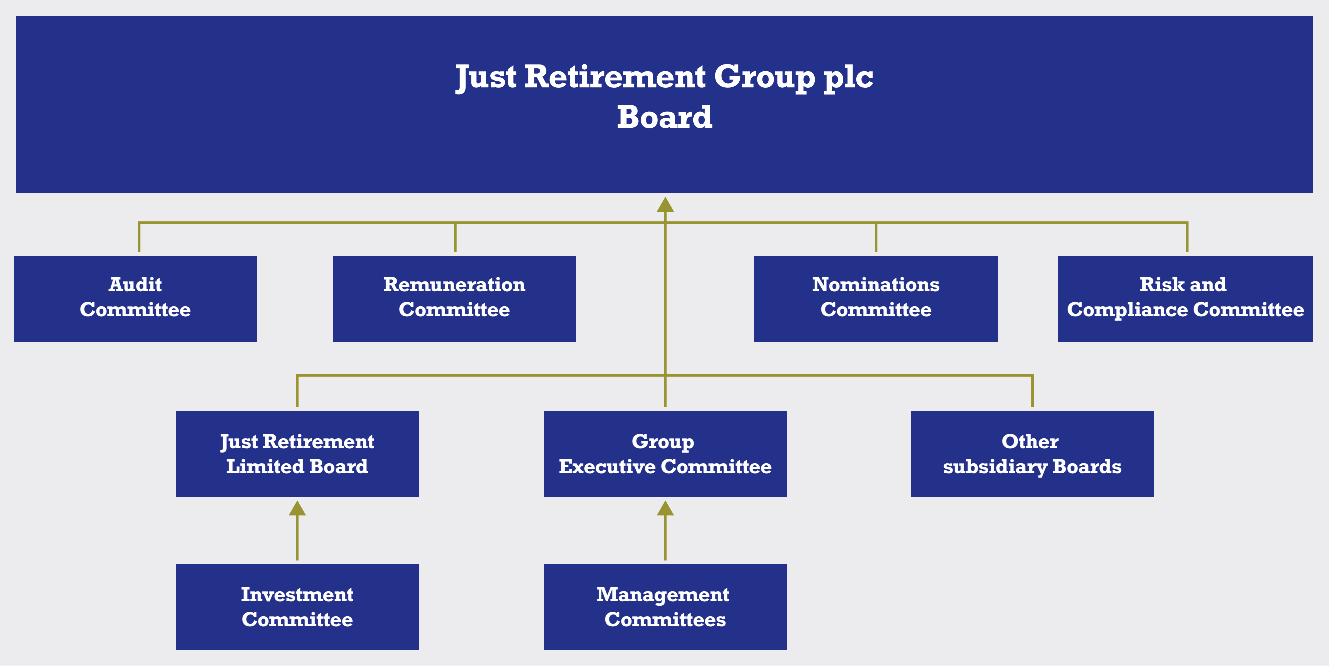
The Company has complied with the UK Corporate Governance Code except with respect to the composition of the Board following the retirement of Les Owen at the conclusion of the AGM on 25 November 2014. On 15 May 2015 the Board appointed Steve Melcher as the fourth Independent Non-Executive Director and 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.

Tom Cross Brown
Chairman
16 September 2015

Tom Cross Brown | Chairman

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 ("CEO") 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 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 Human Resources 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: operational 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 ("DTR"), and to ensure that decisions in relation to those obligations can be made quickly. The Committee's role is to determine whether information is inside 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 (Chairman), 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 62 to 66. 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 2015 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	Chairman	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
James Fraser	By invitation	–	–	By invitation	By invitation
Keith Nicholson	Chairman	Member	Member	Member	Member
Kate Avery	Member	Chairman	–	Member	By invitation
Michael Deakin	Member	Member	–	Member	Chairman
Steve Melcher	Member	–	Member	Chairman	Member

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 Keith Nicholson. Its other members are Kate Avery, Michael Deakin and Steve Melcher.

Remuneration Committee

The Remuneration Committee recommends what policy the Group should adopt on executive remuneration and, within the terms of the Directors' remuneration policy approved by the shareholders at the AGM in November 2014, determines the levels of remuneration for each of the Executive Directors, the Group Company Secretary 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 AGM. 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 Michael Deakin.

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 Committee also determines succession plans for the Chairman and the CEO. It will normally meet not less than twice a year and is chaired by Tom Cross Brown. Its other members are Keith Nicholson and Steve Melcher.

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 Committee reviews and challenges the overall effectiveness of the Group's regulatory systems and controls, risk management and future developments. It also provides advice on regulatory and risk strategies including oversight of current risk exposures. The Committee will normally meet not less than four times a year and is chaired by Steve Melcher. Its other members are Tom Cross Brown, Keith Nicholson, 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, Keith Nicholson and Steve Melcher. 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, Kate Avery, Michael Deakin and Steve Melcher 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 S.à.r.l. (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 50 and 51.

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the Chairman and the 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, Keith Nicholson, Kate Avery and Steve Melcher 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 fundraising;
- 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 2015 continued

Board responsibilities and operation continued

The Board normally has 11 scheduled meetings a year and meetings are convened at other times as and when necessary. The Board held 15 meetings during the year to 30 June 2015, three of which were additional meetings convened principally to progress the Group's regulatory submissions for Solvency II. The following table shows Directors' attendance at Board meetings and, where they are members, at Committee meetings.

	Board	Audit	Remuneration	Nominations	Risk and Compliance
Tom Cross Brown[1]	15/15	–	7/9	5/5	10/10
Rodney Cook[1]	13/15	–	–	–	–
Simon Thomas	15/15	–	–	–	–
Shayne Deighton[1]	14/15	–	–	–	–
James Fraser[1/2]	14/15	–	–	5/5	–
Keith Nicholson	15/15	7/7	9/9	5/5	10/10
Kate Avery[1]	11/15	5/7	8/9	–	8/10
Michael Deakin[3]	15/15	7/7	2/2	–	10/10
Steve Melcher[4]	3/3	1/1	–	0/0	2/2

Notes:
1 The Director was unable to attend Board or Committee meeting(s) due to prior commitments or illness.
2 James Fraser retired from the Nominations Committee on 15 May 2015.
3 Michael Deakin was appointed as a member of the Remuneration Committee on 23 March 2015.
4 Steve Melcher was appointed to the Board and Committees (except the Remuneration Committee) on 15 May 2015 and has attended all Board and relevant Committee meetings since that date.

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 17.

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 provide 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.

For the second consecutive year, the 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, which noted a high degree of consensus among the Directors that the Board had the right core skills and characteristics to accomplish its role. Actions to help improve effectiveness were identified mainly in relation to the nature and timing of the comprehensive information flows to the Board. In keeping with the Code, the annual evaluation of the Board in 2016 will be externally facilitated. 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 Group 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 page 149.

Corporate governance report 2015 continued

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. The Committee meets at least twice a year and the CEO 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 CEO. The Committee then decides whether to recommend an appointment to the Board for approval.

The Nominations Committee has met formally on five occasions during the year, supported by numerous discussions which took place as a working party of the Committee to progress recruitment processes aimed at identifying strong potential candidates for Non-Executive Directorships. Committee activities have included:

- Considering the composition of the Board and its Committees following the retirement on 25 November 2014 of Les Owen as a Non-Executive Director, as Chairman of the Audit Committee and as a member of the Risk and Compliance and the Remuneration Committees. The recommended appointment in May 2015 of Steve Melcher as the fourth Independent Non-Executive Director re-established a balanced Board. CT Partners were engaged to assist with the search process for the Board appointment and assisted with the search for a Senior Independent Director for the UK Life Company but provided no other services to the Company during the year;
- Recommending to the Board the following changes in Committee and Life Company appointments:
  - Keith Nicholson as Chairman of the Audit Committee following the departure of Les Owen;
  - Michael Deakin as a member of the Remuneration Committee;
  - Steve Melcher as Chairman of the Risk and Compliance Committee (in place of Keith Nicholson who remains a member) and as a member of the Audit Committee;
  - Steve Melcher as a member of the Nominations Committee, in place of James Fraser who retired;
  - Steve Melcher as an Independent Non-Executive Director of the life company, Just Retirement Limited, and as a member of its Investment Committee; and
  - Herman Wessels as an Independent Non-Executive Director of Just Retirement's new life company in South Africa;
- 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. In my absence, the Committee considered my service with Just Retirement (which pre-dates the Company's listing in 2013 and reaches nine years in October 2015) and concluded that, subject to annual review, I should continue as Chairman to provide consistency of Board leadership during a time of significant change for the Group. In referring to the specific factors identified in the UK Corporate Governance Code as potentially relevant in determining independence, the Committee also noted that James Fraser must be considered non-independent because of his nominated Directorship by the Company's principal shareholder; and
- Recommending to the Board that each of the Directors be proposed for election by shareholders at the AGM on 23 November 2015. 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, continue to demonstrate the personal qualities necessary to contribute to the leadership of the Company.

Tom Cross Brown
Committee Chairman

Statement from the Audit Committee Chairman

I took over the Chairmanship of the Audit Committee at a time of significant change for Just Retirement both in terms of the market for individual pensions and the prudential regulatory regime. As a consequence, the Audit Committee's focus during the year was on the control over the launch of new products in response to the 2014 budgetary changes and the preparations for the introduction of Solvency II on 1 January 2016.

The Committee invited to its meetings members of the Executive and other senior managers as appropriate to present their reports. This enabled them to hear and respond to the constructive challenges made by members of the Committee who draw on their own experience and wider industry knowledge. This approach allowed the Committee to reach the appropriate outcomes for the Group. In addition, the Committee held a meeting with Internal Audit without any other executives present and I had one-on-one meetings with the Group Finance Director and Group Chief Actuary. There were no issues or concerns raised by them in regard to discharging their responsibilities.

The Committee met with Ben Priestley, our KPMG Audit partner, in private session at the beginning of the meeting to review the Annual Report and Accounts. There were no matters arising that the Committee had to follow up with the Executive prior to making recommendations to the Board on the Annual Report and Accounts.

The report that follows gives a high level overview of the matters covered during the year together with those issues we are required to report on under the Code.

Les Owen retired from the Board on 25 November 2014 and stepped down on that date as Chairman of the Audit Committee. I would like to record my thanks for his contribution to the Audit Committee over the four years he was Chairman.

Keith Nicholson
Committee Chairman

Audit Committee report

The Committee comprised four Non-Executive Committee members throughout the year except for the period between 25 November 2014 and 15 May 2015 when there were only three members. Les Owen retired from the Committee on 25 November 2014, on which date I became Chairman, and Steve Melcher joined the Committee on 15 May 2015.

The Audit Committee and the Risk and Compliance Committee have cross-membership, in particular with their respective Chairmen being members of the other Committee. This has permitted both Committees to ensure that their terms of reference remain appropriate to deliver coverage of both the internal control and risk management frameworks of the Group.

The Committee met on seven occasions during the year and covered matters relating to the Group's:
- Fair, balanced and understandable financial reporting;
- Compliance with the UK Corporate Governance Code;
- Control environment; and
- Internal and external audit planning and reporting.

The Chairman reported to the Board meeting that followed each Committee meeting with the minutes of the meetings being subsequently circulated to Board members.

The main areas of judgement considered by the Committee in respect of the 2015 Annual Report and Accounts were:
- The valuation rate of interest used to calculate the Group's insurance liabilities. This is derived from yields on supporting assets with an explicit deduction made from the yields on corporate bonds based on prudent expectations of default experience for each asset class. The Committee reviewed the methodology of the data underlying the proposed deduction which was set out in papers presented by the Group Finance Director and Group Chief Actuary;
- The length of time the Group's Retirement Income customers will live and therefore the projected cash flows for Retirement Income product liabilities. Assumptions regarding the longevity of Retirement Income customers are reviewed by the Committee, which received regular reports on the actual against expected number of deaths from the Group Chief Actuary. The Committee assessed 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 took into consideration advice from the Actuarial Function Holder of Just Retirement Limited;
- Assumptions used to value the Group's LTM loans include projections of future cash flows expected to arise from each loan which allow for expected house price growth, house price volatility, mortality experience and early redemption. The Committee reviewed management's recommendations which were set out in papers presented by the Group Chief Actuary and advice from the Actuarial Function Holder of Just Retirement Limited. The papers include actual experience of the various components against that expected; and
- Assumptions used to value reinsurance assets include longevity and economic assumptions which are based on the reinsurance agreements and the credit quality of the reinsurers. The Committee considered the recommendations from the Group Chief Actuary and advice from the Actuarial Function Holder of Just Retirement Limited.

Corporate governance report 2015 continued

Statement from the Audit Committee Chairman continued

The Committee also reviewed the methodology and assumptions adopted for the supplementary financial statements prepared on a European Embedded Value basis. These were set out in papers presented by the Group Chief Actuary which were based on the data used for the preparation of the Annual Report and Accounts.

The Committee drew on its own knowledge and experience and KPMG's comments on the reasonableness of the assumptions and how they compared to those used by peer group companies in approving the judgements made by management. In making this decision the Committee took account of the proposed sensitivity disclosures in the consolidated financial statements and the embedded value report.

The Committee considered whether the Annual Report and Accounts for the year ended 30 June 2015, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and how these judgements were reached. In arriving at this conclusion, the Committee reviewed Board, Audit Committee and Risk and Compliance Committee papers and minutes to satisfy itself that the Annual Report and Accounts did meet these criteria and could be recommended to the Board for approval.

The Committee kept the relationship between the Group and its external auditor, KPMG, under review and considered its independence, including the extent of its fees from non-audit services. As part of their review the Committee obtained confirmation that, in KPMG's professional judgement, its independence has not been compromised and the objectivity of the Audit Engagement Partner and audit staff is not impaired.

There is a Group policy governing the undertaking of non-audit services by external auditors. Non-audit fees payable to KPMG, all of which were approved in accordance with this policy, totalled £0.2m for tax advisory and other assurance services during the year. An analysis of its audit and non-audit fees for the year is given in note 4 to the financial statements.

The Audit Committee has primary responsibility for recommending to the Board the appointment, reappointment and removal of external auditors. In considering this, the Committee takes into account the firm's independence and whether it would be appropriate to invite tenders for the role of external auditor.

KPMG has acted as the Group's external auditor since 2006. In the light of European regulations the Committee reviewed the appointment of the external auditor during the year. The Committee concluded that, in view of KPMG's length of service with Just Retirement and to provide the Committee with the widest possible choice of firms, it would be appropriate to put the external audit out to tender in the first half of 2016 with the successful firm being appointed for the year ending 30 June 2017.

The Audit Committee reviewed the effectiveness of the external audit process utilising input from the Group Finance Director, the Group Chief Actuary, the Chairman of the Committee and a report from the FRC on the outcome of their review of the 2014 audit. The Committee concluded that KPMG's performance had been effective. Accordingly, the Committee recommended to the Board that shareholder approval be sought at the forthcoming AGM to authorise the reappointment of KPMG as auditor for the year ending 30 June 2016.

Group Internal Audit submitted its work plan for the year to the Committee for review and challenge prior to its approval. The focus of the plan was change control in light of the pension changes announced in the 2014 Budget and the preparation for Solvency II, as well as maintaining oversight on business as usual controls. The Committee approved the use of external specialist resources to assist Group Internal Audit to deliver its plan.

Group Internal Audit provided the Audit Committee with a quarterly update of its progress against the annual plan, any changes to the plan in the light of developments and significant findings, and recommendations arising from its work.

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.

The UK Corporate Governance Code states that the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience. The Board has agreed that Keith Nicholson should be regarded as the member having recent and relevant financial experience.

The Code provides that no one other than the Committee Chairman and members should be entitled to be present at a meeting of the Audit Committee, but others may attend at the invitation of the Committee. The Audit Committee has indicated that any Director of the Company may attend its meetings if he or she wishes.

Statement from the Risk and Compliance Committee Chairman

My chairmanship of the Committee commenced with my Board appointment on 15 May 2015 and, on behalf of my fellow Directors, I wish to express our sincere thanks to Keith Nicholson for his leadership of the Committee through a significant and challenging period for Just Retirement following the listing of the Group in November 2013 and in particular during the past year when he also took on the Chairmanship of the Audit Committee.

In pursuing Just Retirement's strategic objectives, the Board is responsible for setting overall risk appetite and for overseeing the maintenance of sound risk management and internal control systems. The Risk and Compliance Committee's key responsibilities 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.

The activities of the Committee during the year are summarised in the report that follows. For 2016, I anticipate the work of the Committee will focus on two important issues:

- Adapting the Group's risk operating model to align it with organisational change and management's implementation of its revised business strategy in response to the Group's changing sales mix and the evolution of the retirement income market; and
- Ensuring the Group's readiness for Solvency II implementation on 1 January 2016.

Steve Melcher
Committee Chairman

Risk and Compliance Committee report

The Risk and Compliance Committee met on ten occasions during the year, reflecting the complexity and substantial volume of documentation requiring review in respect of the regulatory submissions for Solvency II which the Group completed by the year end.

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 individual discussions the Committee Chairman holds 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 ORSA which provides a broader and more forward-looking assessment of Group risks and whether adequate capital and contingency plans are in place;
- Monitored management's approach to the regulatory submissions for Solvency II and the Group's preparations for the new regime which included extensive training of the Board;
- Reviewed regular reports on regulatory compliance and management's dialogues with the PRA and 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 arrangements for employees to raise, in confidence, any concerns about financial improprieties in financial reporting or other matters;
- Reviewed management's approach to new emerging risks and cyber-crime risk;
- Maintained a close liaison with the Audit Committee through cross-membership, helping to inform the Committee's oversight of the Group's risk management framework; and
- Reviewed the results of the annual evaluation of risk management effectiveness by the Group Risk function, concluding that the Group's risk management approach and application was suitable for the complexity and scale of the business, was operating effectively and further embedding as a core management responsibility.

Directors' remuneration report

Statement from the Chairman of the Remuneration Committee

I am pleased to present the Remuneration Committee's report for the year ended 30 June 2015.

The Committee's report is presented in the following sections:

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 67 to 73 which describes the key principles of our approach. This policy was approved by shareholders at the AGM on 25 November 2014; and
3. The Annual report on remuneration on pages 74 to 81 which describes how the Committee applied the remuneration policy in the year ending 30 June 2015 and the decisions it has made in respect of 2015/16.

The strategic context

This has been a challenging year for Just Retirement as, against the backdrop of the new pension freedoms, we sought to balance the delivery of new business by diversifying our business model through the launch of new products and developing new strategic relationships. The strategy for the Group is set out in the Strategic Report and remains focused on creating long-term value for our shareholders, through consolidating our position in our core markets and delivering growth and diversification through new business, thereby delivering a sustainable growth in profit.

The Committee is satisfied that the framework set out in the policy continues to support this strategy and that the combination of metrics in our short and long-term incentive plans are aligned to the Group's profitability and the strategic plan. This provides a platform against which the Executive Directors and management can be incentivised to achieve the all-round Group strategy, aligning these interests with those of shareholders. To mitigate any risk, we review the metrics each year and the targets are set in line with the strategic plan.

Proposed Merger

The Boards of Just Retirement Group plc and Partnership Assurance Group plc announced on 11 August 2015 that they have reached agreement on the terms of a recommended all-share Merger to create JRP Group plc. The remuneration policy for the Combined Group will be reviewed following successful completion of the Merger and is not addressed in this report.

Rewarding 2014/15 performance

It has been a year of considerable change for the Group against which we have delivered a good set of results, above the market's expectations when our forward plans were developed in June 2014.

Remuneration practices in 2014/15 were focused primarily on our variable pay plans. The cost reduction plans outlined last year meant that a salary review did not take place in July 2014 and the pension contributions for employees, together with the three Executive Directors' and senior management's benefit allowances, were temporarily reduced.

Awards under the long-term incentive plan ("LTIP") were granted on 25 September 2014 with a face value of 200% of salary for the CEO and 150% of salary for the other two 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 2016/17 financial year. Awards were also made under the Deferred Share Bonus Plan ("DSBP") on this date, representing one-third of bonus earned in 2013/14. These awards will vest on the third anniversary of the grant date, i.e. 25 September 2017.

Bonuses of between 123.25% and 133.75% of salary were awarded to the Executive Directors for the 2014/15 financial year. This reflected performance against the corporate financial targets (pre-tax IFRS Operating Profit and Value of New Business) and individual non-financial measures. In line with the policy, two-thirds of bonus earned will be paid post tax in cash and one-third deferred into shares for three years. The Committee is satisfied that this level of bonus pay-out is reflective of the financial performance we have delivered and the significant progress we have achieved against our strategic objectives. An overview of objectives, performance indicators and the resultant bonuses paid to the Executive Directors can be found on pages 75 and 76.

Remuneration policy for 2015/16

The Committee were pleased with the level of support that shareholders gave the Group's Directors' remuneration policy at the 2014 AGM and believe that the policy remains appropriate. For 2015/16, the Committee will implement a refinement to executive pay arrangements within the current policy, as a result of the revisions to the UK Corporate Governance Code. Malus provisions have been reviewed and a clawback provision will apply to the 2015/16 short-term incentive plan ("STIP") and long-term incentive awards.

In recognition of the performance the Group has achieved, the Remuneration Committee agreed that a salary review would take place with effect from 1 July 2015 and the Executive Directors and senior management were awarded increases within a budget of 3.5%, which was in line with that budgeted for the general workforce. In addition, the pension contributions and benefit allowances, which were temporarily reduced in 2014/15 were reinstated in line with the 2013/14 basis.

No structural changes to the policy outlined on pages 67 to 73 are proposed for the coming year.

Conclusion

We remain committed to ensuring that remuneration practices support the long-term success of the Group in this period of considerable change and reward performance that is aligned with outcomes for shareholders.

Kate Avery
Chairman of the Remuneration Committee

The Directors' remuneration report

This report describes the details of the remuneration policy for our Executive Directors and Non-Executive Directors and sets out how this policy has been used and, accordingly, the amounts paid relating to the year ended 30 June 2015.

The report has been prepared in accordance with the provisions of the Companies Act 2006, the FCA's Listing Rules 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

The Directors' remuneration policy sets out the Group's remuneration policy for its Executive and Non-Executive Directors and was approved by shareholders at the 2014 AGM. This policy came into effect following the AGM on the 25 November 2014 and will apply for a period of three years, unless shareholders approve a revised policy within that time. 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.

Purpose and 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 Group Company Secretary.

Remuneration Committee's objectives

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 the aim of 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 Investment Association ("IA") 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.

Considerations 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 overleaf) 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.

Directors' remuneration report continued

Directors' remuneration policy continued

Shareholder views

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.

Remuneration components

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 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. The Committee has the authority to apply a malus adjustment to all, or a portion of, an outstanding deferred award in specific circumstances. From 2015/16 and for future awards, the Committee also has the authority to recover (clawback) all, or a portion of, amounts already paid in specific circumstances and within a defined timeframe. In addition, from 2015/16 onwards, malus and clawback provisions will apply to the cash elements of the STIP.	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 shares[1] 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. Awards are currently 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 50% on IFRS operating profit growth and 50% on TSR vs. the FTSE 250 Index (excluding investment trusts, mining companies and oil and gas producers). 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.	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.

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

Directors' remuneration report continued

Directors' remuneration policy continued

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
Long-term incentive plan ("LTIP") continued		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. The Committee has the authority to apply a malus adjustment to all, or a portion, of an outstanding award in specific circumstances. From 2015/16 and future awards, the Committee also has the authority to recover (clawback) all, or a portion of, amounts already paid in specific circumstances and within a defined timeframe.	
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 Share 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.

Committee discretions

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 performance measures were chosen
The Committee chose the combination of metrics in our short and long-term incentive plans so they are aligned to the Group's profitability and the strategic plan. This provides a platform against which the Executive Directors and management can be incentivised to achieve the all-round Group strategy, aligning these interests with those of shareholders.

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 awards, (and for the proposed 2015 awards), 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.

Legacy awards
Authority was 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.

Remuneration policy on recruitment or promotion
Remuneration package on appointment
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.

Maximum opportunity under the incentive plans
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 at which they joined the Board.

Payments beyond the remuneration 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.

Internal appointments
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.

Executive Directors' terms of employment and loss of office
Service agreements and 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 an Executive Director or put them on a period of garden leave during which they will be entitled to salary, benefits and pension.

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.

Directors' remuneration report continued
Directors' remuneration policy continued

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.

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.

STIP
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 could be payable in cash and not subject to deferral.

LTIP
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.

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.

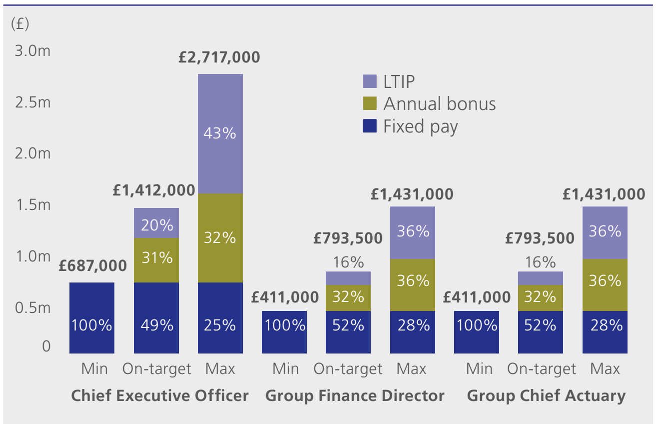
In determining whether a departing Executive Director should be treated as a "good leaver", the Committee will take into account the performance of the individual and the business unit/Group over the whole period of employment and the reasons for the individual's departure.

Treatment of 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.

External directorships
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.

Illustration of 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[1]
- Maximum = fixed pay plus 100% or maximum payout of the STIP and LTIP awards[1]

1 Awards under the LTIP can be up to 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. The normal policy 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.

Non-Executive Directors

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.

Recruitment policy on appointment of a new Chairman or Non-Executive Director
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.

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 Directors' 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 2015 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 LLP.

Operation of the Remuneration Committee during 2014/15

Members of 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 Michael Deakin, who joined the Committee on 23 March 2015.

External assistance provided to the Committee

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.

NBS has 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 £132,304. The fees charged are predominantly charged on a "time spent" basis.

Internal assistance provided to the Committee

The Chief Executive (Rodney Cook) and other senior management (Anne Ridge, Group Human Resources 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.

Directors' remuneration (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[5, 6]	STIP[8]	LTIP[9]	Employer pension contribution[7]	Other[10]	Total
Executive								
Rodney Cook	2014/15	560	48	749	–	–	–	1,357
	2013/14	560	104	532	–	–	–	1,196
Simon Thomas	2014/15	330	43	407	–	–	–	780
	2013/14	330	70	301	–	–	–	701
Shayne Deighton	2014/15	330	37	421	–	–	–	788
	2013/14	330	70	281	–	–	–	681
Non-Executive								
Tom Cross Brown	2014/15	162	–	–	–	–	–	162
	2013/14	152	–	–	–	–	–	152
James Fraser	2014/15	–	–	–	–	–	–	–
	2013/14	–	–	–	–	–	–	–
Kate Avery	2014/15	74	–	–	–	–	–	74
	2013/14	61	–	–	–	–	–	61
Keith Nicholson[1]	2014/15	79	–	–	–	–	–	79
	2013/14	61	–	–	–	–	–	61
Michael Deakin[2]	2014/15	66	–	–	–	–	–	66
	2013/14	11	–	–	–	–	–	11
Steve Melcher[3]	2014/15	24	–	–	–	–	–	24
	2013/14	–	–	–	–	–	–	–
Les Owen[4]	2014/15	32	–	–	–	–	–	32
	2013/14	65	–	–	–	–	–	65

1 Keith Nicholson received additional fees for SID and for Chairmanship of the Audit Committee (from 25 November 2014) and Risk and Compliance Committee (to 15 May 2015).
2 Michael Deakin received an additional fee for Chair of the Investment Committee.
3 Steve Melcher was appointed as a Non-Executive Director on 15 May 2015.
4 Les Owen resigned as a Non-Executive Director on 25 November 2014.
5 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.
6 In 2014/15, the Executive Directors' and senior management's benefit allowances were temporarily reduced by 10% of base salary as part of a cost-reduction exercise.
7 Benefit allowance for Executive Directors commenced in July 2013.
8 One-third of bonus payments have been deferred into awards over shares under the DSBP and will vest after three years.
9 Awards were made under the LTIP in both 2013/14 and 2014/15 and the respective values will be reported on vesting in the respective Annual report on remuneration.
10 Other includes the value of SAYE and SIP awards that vest after three or five years for SAYE, and three years for SIP.

STIP payment in respect of 2014/15 (Audited)

For 2014/15, 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. Whilst full details of the targets are considered by the Board to be commercially sensitive, a summary of the targets and actual performance achieved is provided below.

The performance outcome against the targets set for the STIP in 2014/15 was as follows:

				Results (% of salary)					
Measure	Target range (threshold payout to maximum)	Weighting as a percentage of salary	Actual	Rodney Cook		Simon Thomas		Shayne Deighton	
Pre-tax operating profit	£45m to £70m	50%	£67.6m	40%		40%		40%	
New business value	£64m to £94m	50%	£98.1m	50%		50%		50%	
Personal non-financial performance measures		50%							
Strategic				In response to the 2014 Budget changes, deliver new product and advice propositions. Develop partner relationships as part of the business strategy.	SEE	Develop and build strong relationships with key investors and investment managers. Ensure appropriate management of expectations.	SEE	Contribute to new propositions. Deliver PrognoSys™ underwriting and matching reinsurance fully into production.	SEE
Leadership				Provide leadership consistent with JRG values. Lead the business restructure and diversification to respond to the Budget changes. Lead investor, media and analysts' briefings.	SEE	Lead the finance business restructure to support the new Group structure and business diversification.	EE	Lead work on reinsurance, in particular work on new treaties to support product diversification.	EE
People, talent and engagement				Support talent management and succession planning to deliver the significant change agenda. Position the Company for post-Budget growth recovery.	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

Directors' remuneration report continued

Annual report on Directors' remuneration continued

Measure	Target range (threshold payout to maximum)	Weighting as a percentage of salary	Actual	Results (% of salary) Rodney Cook		Simon Thomas		Shayne Deighton	
Risk/ regulatory/ compliance				Maintain a successful ongoing relationship with regulators. Ensure risk management approach is embedded. Ensure timely and appropriate Solvency II IMAP submission.	EE	Deliver changes to financial management and reporting to support growth of DB business and new product and advice propositions.	SEE	Support Solvency II delivery through technical input and delivery of numerical results, in particular for matching adjustment.	SEE
Financial management						Develop the Group's capital management and investment strategies, particularly in the light of the requirements of Solvency II.	EE	Deliver all relevant financial data. Manage capital usage and position successfully during this period of significant business and economic change.	EE
Total percentage of salary on personal non-financial performance measures from maximum opportunity of 50%				43.75%		33.25%		37.50%	

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 2015, the resulting STIP awards were as follows:

	Maximum opportunity % salary	Actual % of salary	Total awarded	Cash	Shares
Rodney Cook	150%	133.75%	£749,000	£499,333	£249,667
Simon Thomas	150%	123.25%	£406,725	£271,150	£135,575
Shayne Deighton	150%	127.50%	£420,750	£280,500	£140,250

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

Vesting of LTIP awards with a performance period ending in 2014/15 (Audited)
There were no awards for which the performance period ended during 2014/15.

LTIP awards granted in 2014/15 (Audited)
On 25 September 2014, 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
Rodney Cook	nil-cost options	200% of £560,000	806,916	£1,120,000	25%	30 June 2017
Simon Thomas	nil-cost options	150% of £330,000	356,628	£495,000	25%	30 June 2017
Shayne Deighton	nil-cost options	150% of £330,000	356,628	£495,000	25%	30 June 2017

1 Awards were granted at a share price of 138.8p being the average of the middle-market quotations of shares over the five consecutive dealing days immediately prior to the date of grant.
2 Half the award is subject to growth in the Group's IFRS operating profit. Since the impact of the 2014 Budget created a year of discontinuity in the Group's growth plans and great uncertainty in the UK guaranteed income for life segment, the Committee agreed to base its target on growth in the two years following the Group's actual profit achieved in 2014/15. If 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.

Half of the award is subject to TSR performance 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 quartile performance or above, with straight-line vesting in between these points. None of these awards will vest if TSR is below the median.

It should be noted that there was a typographical error in the 2014 Annual Report and Accounts in relation to the description of the relative TSR performance condition applying to the 2014/15 LTIP awards. The Committee's intention was that full vesting of this part of the award should occur for upper quartile performance; however the Report incorrectly stated for upper quintile performance. A statement to this effect was published on the Just Retirement Group plc website on 14 November 2014 and a clarification statement sent to key corporate governance bodies, including IA, PIRC and IMA.

Payments made to past Directors during 2014/15 (Audited)
There were no payments made to any past Directors during the year.

Payments for loss of office made during 2014/15 (Audited)
There were no loss of office payments made during the year.

Directors' shareholding guidelines (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 2015	Shareholding guideline achieved	Beneficially owned shares at 16 September 2015	Outstanding awards LTIP	DSBP	SAYE	SIP[4]
Rodney Cook	2,707,374	Yes	2,707,374	1,304,693	128,595	14,876	1,570
Simon Thomas[1]	1,029,040	Yes	1,029,040	576,628	72,788	14,876	1,570
Shayne Deighton	1,155,895	Yes	1,155,895	576,628	67,802	24,793	1,570
Tom Cross Brown	655,054	Yes	655,054	–	–	–	–
James Fraser	–	–	–	–	–	–	–
Kate Avery	44,444	Yes	44,444	–	–	–	–
Keith Nicholson	28,084	Yes	28,084	–	–	–	–
Michael Deakin	20,000	No	20,000	–	–	–	–
Steve Melcher[3]	–	No	–	–	–	–	–
Les Owen[3]	311,679	N/A	311,679	–	–	–	–
Total	**5,951,570**		**5,951,570**	**2,457,949**	**269,185**	**54,545**	**4,710**

1 As an eligible employee, the spouse of Simon Thomas holds 942 shares under the Group's Share Incentive Plan (includes dividend shares) and holds an option over 4,462 ordinary shares under the Company's Sharesave scheme.
2 Steve Melcher was appointed as a Non-Executive Director on 15 May 2015.
3 Les Owen resigned as a Non-Executive Director on 25 November 2014.
4 Dividend shares are included in the SIP total.

Directors' remuneration report continued

Annual report on Directors' remuneration continued

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 2014	Granted in year	Lapsed in year	Exercised in year	**Interests at 30 June 2015**	Date of grant[1,2]	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2013)	497,777	–	–	–	**497,777**	15-Nov 2013	nil	30 Jun 2016	15 Nov 2016	15 Nov 2023
LTIP (2014)	–	806,916	–	–	**806,916**	25-Sep 2014	nil	30 Jun 2017	25 Sep 2017	25-Sep 2024
DSBP	–	128,595	–	–	**128,595**	25-Sep 2014	nil	n/a	25 Sep 2017	25-Sep 2024
SAYE	14,876	–	–	–	**14,876**	12-May 2014	1.21	n/a	01-Jun 2017	01-Dec 2017
SIP[3]	1,538	32	–	–	**1,570**	15-Nov 2013	nil	n/a	15-Nov 2016	n/a

Simon Thomas

Scheme	Interests at 30 June 2014	Granted in year	Lapsed in year	Exercised in year	**Interests at 30 June 2015**	Date of grant[1,2]	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2013)	220,000	–	–	–	**220,000**	15 Nov 2013	nil	30 Jun 2016	15 Nov 2016	15 Nov 2023
LTIP (2014)	–	356,628	–	–	**356,628**	25 Sep 2014	nil	30 Jun 2017	25 Sep 2017	25 Sep 2024
DSBP	–	72,788	–	–	**72,788**	25 Sep 2014	nil	n/a	25 Sep 2017	25 Sep 2024
SAYE	14,876	–	–	–	**14,876**	12 May 2014	1.21	n/a	1 Jun 2017	1 Dec 2017
SIP[3]	1,538	32	–	–	**1,570**	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

Shayne Deighton

Scheme	Interests at 30 June 2014	Granted in year	Lapsed in year	Exercised in year	**Interests at 30 June 2015**	Date of grant[1,2]	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2013)	220,000	–	–	–	**220,000**	15 Nov 2013	nil	30 Jun 2016	15 Nov 2016	15 Nov 2023
LTIP (2014)	–	356,628	–	–	**356,628**	25 Sep 2014	nil	30 Jun 2017	25 Sep 2017	25 Sep 2024
DSBP	–	67,802	–	–	**67,802**	25 Sep 2014	nil	n/a	25 Sep 2017	25 Sep 2024
SAYE	24,793	–	–	–	**24,793**	12 May 2014	1.21	n/a	1 Jun 2019	1 Dec 2019
SIP[3]	1,538	32	–	–	**1,570**	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.
2 Vesting of the LTIP awards made in September 2014 is based half on IFRS operating profit growth and half on relative TSR performance as described earlier in this report.
3 Dividend shares are included in the SIP total.

The closing share price of the Group's ordinary shares at 30 June 2015 was £1.734 and the closing price range from the start of the financial year to the year end was £1.198 to £1.835.

Dilution

The Committee supports IA guidelines regarding dilution and monitors regularly the Group's compliance with these requirements. Assuming that all awards made under the Group's share plans vest in full, the Group has utilised 25.7% of the 10% in ten years dilution limit and 31.2% of the 5% in ten years dilution limit.

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 2015, amounted to 1,202,819.

Directors' service contracts and letters of appointment

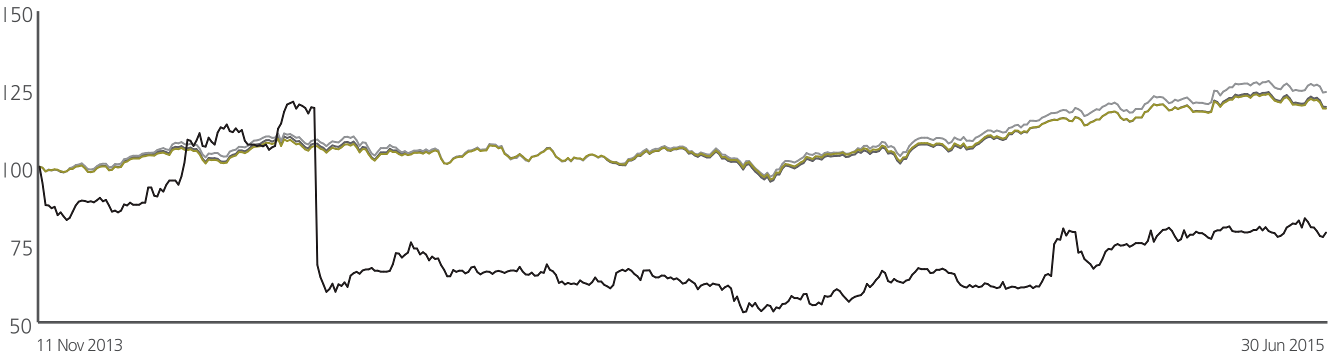
Director[1]	Contract/ letter of appointment effective date	Unexpired term of contract at 30 June 2015
Rodney Cook	15 November 2013	Rolling contract
Simon Thomas	15 November 2013	Rolling contract
Shayne Deighton	15 November 2013	Rolling contract
Tom Cross Brown	1 August 2013	1 year 1 month
James Fraser	1 August 2013	1 year 1 month
Kate Avery	9 October 2013	1 year 3 months
Keith Nicholson	9 October 2013	1 year 3 months
Michael Deakin	30 April 2014	1 year 10 months
Steve Melcher	15 May 2015	2 years 9 months

1 Les Owen resigned as a Non-Executive Director on 25 November 2014.

The Group's share performance compared 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.

Total Shareholder Return



This graph shows the value, by 30 June 2015, of £100 invested in Just Retirement Group on 11 November 2013, compared with the value of £100 invested in the FTSE 250 Index or the FTSE 250 Index excluding investment trusts 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) ■ FTSE 250 Index (excluding investment trusts, mining companies and oil and gas producers)

Total remuneration of the CEO during the same period

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

	Year ending 30 June			
	2012	2013	2014	**2015**
Total remuneration (£'000)	712	1,052	1,196	**1,357**
STIP (as a % of maximum opportunity)	58%	86%	63%	**89%**
LTIP vesting (as a % of maximum opportunity)	n/a	n/a	n/a	**n/a**

Directors' remuneration report continued

Annual report on Directors' remuneration continued

Percentage annual change in the CEO's pay compared to that for Just Retirement employees
The table below shows the percentage change in each of the CEO's salary, taxable benefits and STIP earned between 2013/14 and 2014/15, compared to that for the average employee of the Group (on a per capita basis).

	Rodney Cook, CEO			Average employee		
	2014/15	2013/14	% change	2014/15	2013/14	% change
Salary	£560,000	£560,000	0	£46,000	£43,000	7
Benefits[1, 2]	£48,000	£104,000	(54)	£6,000	£9,000	(33)
Bonus	£749,000	£532,000	41	£11,000	£9,000	22

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.
2 In 2014/15, the Executive Directors' and senior management's benefit allowances were temporarily reduced by 10% of base salary as part of a cost reduction exercise.

Relative importance of spend on pay
The Group's actual spend on pay for all employees in 2014 was £61.9m, and in 2015 was £56.6m, a change of (8.6%). During the year ended 30 June 2015, the Group paid total dividends of £16.5m (year ended 30 June 2014: no dividends paid).

Statement of voting at the Annual General Meeting
At the 2014 AGM, shareholders were asked to vote on the following remuneration items:
- Directors' remuneration policy; and
- The 2013/14 Directors' Remuneration Report.

Each of these resolutions received a significant vote in favour by shareholders. The votes received were:

Resolution	Votes for	% of votes	Votes against	% of votes	Votes withheld
To approve the Directors' remuneration policy	439,615,140	97.35	11,988,474	2.65	5,767
To approve the Directors' Remuneration Report	406,915,558	90.10	44,688,056	9.90	5,767

Implementation of the remuneration policy in 2015/16
Base salaries
Against the backdrop of the cost reduction measures taken in 2014/15, the Committee reviewed the Executive Directors' salaries with effect from 1 July 2015 and awarded increases from a 3.5% total salary increase budget, which was in line with that budgeted for the general workforce.

In addition, the Committee agreed to reinstate the benefit allowances that were temporarily reduced by 10% of base salary in 2014/15, back to the 2013/14 basis. For the avoidance of doubt, there is no plan to reinstate any past sacrificed amounts.

The salaries and benefit allowances of the Executive Directors at the beginning of the financial year are:

	1 July 2015		1 July 2014	
	Base salary	**Benefit allowance**	Base salary	Benefit allowance[1]
Rodney Cook	**£580,000**	**£107,000**	£560,000	£48,000
Simon Thomas	**£340,000**	**£71,000**	£330,000	£36,500
Shayne Deighton	**£340,000**	**£71,000**	£330,000	£36,500

1 The benefit allowance was temporarily reduced for 2014/15 and would otherwise have been £104,000, £70,000 and £70,000 respectively.

Operation of the STIP in 2015/16
No changes are proposed to the structure of the STIP for 2015/16, although a clawback provision will apply for awards deferred into the DSBP from 2015 onwards. In addition, from 2015/16 onwards, malus and clawback provisions will apply to the cash elements of the STIP.

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.

Operation of the LTIP in 2015/16
The award levels under the LTIP for the 2015/16 financial year remain 200% of base salary for the CEO and 150% of base salary for the other Executive Directors.

The awards made in 2015/16 will be subject to the following performance conditions, measured over the three financial years to 30 June 2018:

IFRS Operating Profit Growth (50% of award)
Half the award 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 30 June 2018 exceeds operating profit for the financial year ending 30 June 2015 by 24% (equivalent to 7.5% p.a. cumulative growth), 25% of the award will vest. The award will vest in full for growth of 52% (equivalent to 15% p.a. cumulative growth) with payment on a sliding scale in-between these points. No award would be made if cumulative growth is below 24%.

Relative TSR (50% of award)
Half the award will be subject to TSR performance relative to the constituent companies of the FTSE 250 Index (excluding investment trusts). Vesting of 25% of these awards will occur for median performance and the maximum 100% will vest for upper quartile performance or above, with straight-line vesting between these points. None of these awards will vest if TSR is below the median.

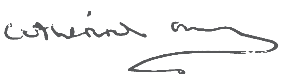
The Company and Partnership Assurance Group plc announced on 11 August 2015 that they had reached agreement on the terms of a recommended all-share Merger. The Merger is expected to become effective in December 2015. Post-Merger, the Remuneration Committee intends to consider whether it is appropriate to adjust or amend the performance measures for the 2015 LTIP awards to reflect the Combined Group.

Non-Executive Board fees

	2015/16	2014/15[1]
Board Chairman	£180,000	£162,000
Basic fee	£60,000	£54,000
Additional fee for Senior Independent Director	£10,000	£10,000
Additional fee for Committee Chairman	£10,000	£10,000

1 The Non-Executive Directors offered and agreed to temporarily reduce their base fee by 10% for the fiscal year 2014/15. Fee levels are reinstated to the 2013/14 basis in 2015/16.

Approval
This report was approved by the Board of Directors on 16 September 2015 and signed on its behalf by:



Kate Avery
Chairman of the Remuneration Committee
16 September 2015

Partnering
for a just retirement

PHOENIX LIFE

Providing Phoenix customers with a tailor-made regulated retirement advice service

Sweeping changes to pension rules designed to give savers more options at retirement has highlighted a major need to provide professional, regulated advice to the hundreds of thousands of retirees keen to benefit from "freedom and choice".

Just Retirement has pioneered a powerful and cost-effective simplified advice service for pension providers targeted at supporting customers at the critical point of converting their pension savings into retirement benefits.

Just Retirement partnered with Phoenix Life, the UK's largest consolidator of closed pension funds, to launch the service in April 2015 as the pension reforms came into effect.

Building on Just Retirement's established introducer arrangement with Phoenix, the new service enables retirees who do not have a financial adviser to be taken through an efficient regulated advice process which delivers personal recommendations about how that individual can best deploy their pension money.

Although termed "simplified", the service is underpinned by the same rigorous regulatory and quality standards as the full advice that is offered to the wealthiest of investors. It offers the full range of pension options allowed under the new rules – the ability to mix guaranteed income for life solutions with invested solutions and more flexible ways to take cash lump sums – via a specially developed product suite to meet the financial planning needs of middle Britain.

The new pension rules put more responsibility on people and in many cases these are people who have both a limited appetite to take investment risk and a limited capacity for loss, yet who like the idea of retaining flexibility and could benefit from regulated advice.

While they have the option of using Pension Wise, the government's new guidance and information service, it will not go as far as to offer personalised recommendations but instead leave them to make up their own minds.

Recognising the advantages of going a step further in offering a higher level of support to these retiring policyholders, Phoenix has now positioned itself at the leading edge of service in the new pensions environment by providing the innovative and robust solution to a wider range of customers who may never have previously considered seeking professional help.

"Just Retirement has pioneered a powerful and cost-effective simplified advice service for pension providers targeted at supporting customers at the critical point of converting their pension savings into retirement benefits"

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 Group financial statements is unmodified

We have audited the financial statements of Just Retirement Group plc for the year ended 30 June 2015 set out on pages 87 to 134. 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 2015 and of the Group's loss 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 (£7,440.3m)

Refer to page 63 (Audit Committee Report), page 98 (accounting policy) and note 21 (financial disclosures).

The risk

The Group has significant insurance liabilities representing 71% 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 insurance liabilities.

The valuation of the insurance liabilities requires the exercise of significant judgement in setting assumptions, in particular mortality, expense and credit risk assumptions where the level of judgement involved is greatest and a small change can have a significant impact on the reported balance.

Mortality assumptions

Changing longevity trends and limited statistical data on the impact of emerging medical treatments on mortality means there is a high level of uncertainty in the assumptions.

Credit risk assumptions

In setting the valuation discount rate, an explicit allowance for credit risk is included by making a deduction from the yields on debt and other fixed income securities. The assumptions used require significant judgement.

Expense assumptions

A higher level of judgement is required for new products that have limited evidence of the costs associated with the product.

Our response

We tested key controls over the identification, measurement and management of the Group's calculation of the insurance 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:

- Evaluating the appropriateness of the base table and mortality assumptions used in the valuation of the Retirement Income 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 by reference to industry practice and our expectation derived from market experience; and
- Comparing the expense assumptions to the Group's historical experience and assessing the reasonableness of the assumptions by taking into consideration industry data and the estimated impact of future and recently announced legislation.

We also assessed 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 adequacy of 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 (£2,477.1m) and liabilities (£2,473.6m)
Refer to page 63 (Group Audit Committee Report), page 97 (accounting policy) and notes 21, 24 and 26 (financial disclosures).

The risk
Both the reinsurance asset and deposit liability calculation methods are set out in the reinsurance treaties and both balances are sensitive to movements in mortality and economic assumptions. 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 as there is a large amount of inputs required in the calculation and non-recurring nature of the transaction.

Our response
We involved our own internal actuarial specialists to assist us in our challenge of the assumptions and our procedures included:
- 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 calculation of the balances in respect of any recapture transactions during the period and obtaining counterparty confirmations for the transaction;
- Considering and comparing calculations prepared by the Group against the calculation basis set out in the reinsurance treaties and industry practice;
- 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
- Considering 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 adequacy of 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 (£3,471.8m)
Refer to page 63 (Group Audit Committee Report), page 96 (accounting policy) and note 15 (financial disclosures).

The risk
The loans are valued at fair value by projecting the discounted cash flows using best estimate assumptions. There is significant judgement in respect of the valuation of the loans secured by mortgages.

The key assumptions include property price volatility, voluntary redemption rates, mortality rates and swap rates. These are key inputs which affect the cash flow projection and the discount rate applied. A small change of these assumptions can have a significant impact on the overall valuation.

Our response
We tested the design, implementation and operating effectiveness of controls over the origination process, ownership of title deeds and valuation process.

We specifically focused on the assumptions used in the valuation model as expert judgements are required.

For the mortgage assets we used our own internal actuarial specialists to assist us in performing our audit procedures in this area, which included:
- 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;
- Assessing pricing model methodologies against industry practice and valuation guidelines;
- Assessing the assumptions used within the valuation process, taking into consideration the Group's historical experience and industry data.

We considered the adequacy of the Group's disclosures in relation to the valuation of Lifetime Mortgages, in particular the sensitivity of the valuations adopted to alternative outcomes.

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 £6.5m, determined with reference to a benchmark of Group net assets (of which it represents 0.8%). We consider Group net assets to be the most appropriate benchmark because it is a key financial statement metric used in assessing the performance of the Group.

We agreed with the Audit Committee to report to it any corrected or uncorrected misstatements exceeding £325,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Independent Auditor's report continued

To the members of Just Retirement Group plc only

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level 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 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 54, in relation to going concern; and
- The part of the Corporate Governance Statement on page 52 relating to the Company's compliance with the ten provisions of the 2012 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 Directors' Responsibilities Statement set out on page 55, 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/auditscopeukco2014a, 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 LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
16 September 2015

Consolidated statement of comprehensive income
For the year ended 30 June 2015

	Note	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Gross premiums written		**1,099.0**	1,200.5
Reinsurance premiums ceded		**(122.9)**	(485.3)
Reinsurance recapture		**950.9**	263.1
Net premium revenue		**1,927.0**	978.3
Net investment income	2	**635.2**	456.9
Fee and commission income		**5.1**	6.9
Total revenue		**2,567.3**	1,442.1
Gross claims paid		**(498.6)**	(439.6)
Reinsurers' share of claims paid		**248.1**	233.0
Net claims paid		**(250.5)**	(206.6)
Change in insurance liabilities:			
Gross amount		**(956.7)**	(993.3)
Reinsurers' share		**(188.3)**	402.6
Reinsurance recapture		**(950.9)**	(263.1)
		(2,095.9)	(853.8)
Change in investment contract liabilities		**(3.5)**	(2.4)
Acquisition costs	3	**(18.5)**	(31.1)
Other operating expenses	4	**(127.6)**	(126.8)
Finance costs	5	**(100.9)**	(128.6)
Total claims and expenses		**(2,596.9)**	(1,349.3)
(Loss)/profit before tax	6	**(29.6)**	92.8
Income tax	7	**4.8**	(20.3)
(Loss)/profit for the period		**(24.8)**	72.5
Other comprehensive income:			
Exchange differences on translating foreign operations		**(0.2)**	–
Other comprehensive income for the period, net of tax		**(0.2)**	–
Total comprehensive income for the period		**(25.0)**	72.5
(Loss)/profit attributable to:			
Equity holders of Just Retirement Group plc		**(24.8)**	72.9
Non-controlling interest		**–**	(0.4)
(Loss)/profit for the period		**(24.8)**	72.5
Total comprehensive income attributable to:			
Equity holders of Just Retirement Group plc		**(25.0)**	72.9
Non-controlling interest		**–**	(0.4)
Total comprehensive income for the period		**(25.0)**	72.5
Basic earnings per share (pence)	11	**(4.96)**	16.21
Diluted earnings per share (pence)	11	**(4.96)**	16.21

The notes on pages 91 to 131 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2015

Year ended 30 June 2015	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by trusts £m	Accumulated profit £m	Shareholders' equity £m	Non-controlling interest £m	Total £m
Balance at 1 July 2014	**50.1**	**1.2**	**347.4**	**(0.1)**	**454.2**	**852.8**	–	**852.8**
Loss for the period	–	–	–	–	**(24.8)**	**(24.8)**	–	**(24.8)**
Other comprehensive income for the period	–	–	–	–	**(0.2)**	**(0.2)**	–	**(0.2)**
Total comprehensive income for the period	–	–	–	–	**(25.0)**	**(25.0)**	–	**(25.0)**
Contributions and distributions								
Dividends	–	–	–	–	**(16.5)**	**(16.5)**	–	**(16.5)**
Share-based payments	–	–	–	**(0.6)**	**3.3**	**2.7**	–	**2.7**
Total contributions and distributions	–	–	–	**(0.6)**	**(13.2)**	**(13.8)**	–	**(13.8)**
Changes in ownership interests	–	–	–	–	–	–	–	–
Balance at 30 June 2015	**50.1**	**1.2**	**347.4**	**(0.7)**	**416.0**	**814.0**	–	**814.0**

Year ended 30 June 2014	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by trusts £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
Profit for the period	–	–	–	–	72.9	72.9	(0.4)	72.5
Total comprehensive income for the year	–	–	–	–	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 and £2.3m recognised through profit and loss in the year to 30 June 2014, and £3.1m recognised in the year to 30 June 2013, of which £2.8m has been transferred to the reorganisation reserve in the year to 30 June 2014.

Consolidated statement of financial position

As at 30 June 2015

	Note	30 June 2015 £m	30 June 2014 £m
Assets			
Intangible assets	13	**75.2**	77.6
Equipment	14	**0.7**	1.0
Financial investments	15	**8,494.7**	7,490.0
Reinsurance assets	21	**2,477.1**	3,616.3
Deferred tax assets	16	**4.2**	12.7
Current tax assets	28	**17.6**	0.6
Prepayments and accrued income	17	**86.2**	91.4
Insurance and other receivables	18	**34.1**	5.0
Cash and cash equivalents	19	**58.8**	54.4
Total assets		**11,248.6**	11,349.0
Equity			
Share capital	20	**50.1**	50.1
Share premium	20	**1.2**	1.2
Reorganisation reserve		**347.4**	347.4
Shares held by trusts		**(0.7)**	(0.1)
Accumulated profit		**416.0**	454.2
Equity attributable to owners of Just Retirement Group plc		**814.0**	852.8
Non-controlling interest		**–**	–
Total equity		**814.0**	852.8
Liabilities			
Insurance liabilities	21	**7,440.3**	6,483.6
Investment contract liabilities	22	**228.3**	197.4
Loans and borrowings	23	**46.9**	51.6
Other financial liabilities	24	**2,643.2**	3,653.6
Deferred tax liabilities	16	**32.9**	33.2
Other provisions	27	**1.5**	4.8
Current tax liabilities	28	**0.1**	20.1
Accruals and deferred income	29	**18.7**	16.4
Insurance and other payables	30	**22.7**	35.5
Total liabilities		**10,434.6**	10,496.2
Total equity and liabilities		**11,248.6**	11,349.0

The notes on pages 91 to 131 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 16 September 2015 and were signed on its behalf by:

Simon Thomas
Director

Consolidated statement of cash flows

For the year ended 30 June 2015

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Cash flows from operating activities		
(Loss)/profit before tax	**(29.6)**	92.8
Depreciation of equipment	**0.5**	0.9
Amortisation of intangible assets	**4.2**	4.9
Impairment of intangible assets	**–**	1.9
Share-based payments	**2.7**	4.3
Interest income	**(196.4)**	(205.6)
Interest expense	**100.9**	128.6
Increase in financial investments	**(1,082.6)**	(1,248.3)
Decrease/(increase) in reinsurance assets	**1,139.2**	(139.5)
(Increase)/decrease in insurance and other receivables	**(29.1)**	13.1
Increase in insurance liabilities	**956.7**	993.3
Increase in investment contract liabilities	**30.9**	67.0
(Decrease)/increase in deposits received from reinsurers	**(990.4)**	150.7
Increase/(decrease) in accruals and deferred income	**2.3**	(0.4)
Decrease in insurance and other payables	**(12.8)**	(29.7)
(Decrease)/increase in other creditors	**(38.8)**	18.6
Interest received	**201.6**	198.6
Interest paid	**(91.8)**	(105.2)
Taxation paid	**(24.1)**	(19.9)
Net cash outflow from operating activities	**(56.6)**	(73.9)
Cash flows from investing activities		
Additions to internally generated intangible assets	**(1.8)**	(1.1)
Acquisition of equipment	**(0.2)**	(0.3)
Acquisition of non-controlling interest	**–**	(0.3)
Net cash outflow from investing activities	**(2.0)**	(1.7)
Cash flows from financing activities		
Decrease in borrowings	**(4.5)**	(3.6)
Interest paid	**(2.3)**	(2.1)
Dividends paid	**(16.5)**	–
Issue of ordinary and preference share capital (net of costs)	**–**	287.0
Net cash (outflow)/inflow from financing activities	**(23.3)**	281.3
Net (decrease)/increase in cash and cash equivalents	**(81.9)**	205.7
Cash and cash equivalents at start of period	**395.6**	189.9
Cash and cash equivalents at end of period	**313.7**	395.6
Cash available on demand	**58.8**	54.4
Units in liquidity funds	**254.9**	341.2
Cash and cash equivalents at end of period	**313.7**	395.6

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.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union effective for accounting periods commencing on or before 1 July 2014 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group has adopted the following new accounting standards, interpretations and amendments to existing standards as of 1 July 2014:

- IFRS 10, Consolidated financial statements (effective 1 January 2014) – the standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It states that an investor controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Adoption of IFRS 10 has not resulted in any change in the entities which are determined to be subsidiaries of the Group.

- IFRS 12, Disclosures of interests in other entities (effective 1 January 2014) – the standard provides the disclosure requirements which apply to all entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The relevant disclosures are included in note 35 but are not significantly affected by the new requirements.

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 being assessed but are not expected to have a significant impact on the Group's financial statements.

- IFRS 9, Financial instruments (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 in the Consolidated statement of comprehensive income, unless this creates an accounting mismatch. IFRS 9 was amended to incorporate a new general hedge accounting model. The new requirements change what qualifies as a hedged item and some of the restrictions on the use of some hedging instruments.

- 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. Insurance contracts, although contracts with customers, are outside the scope of IFRS 15.

- Amendments to IAS 1 – Disclosure initiative (effective 1 January 2016, not yet endorsed).

  The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Other changes in accounting policy

To reflect the significant increase in Defined Benefit De-risking contract revenue during the year to 30 June 2015, the premium revenue accounting policy has been reviewed and has been updated to reflect the slightly different nature of Defined Benefit De-risking contracts and Individual Annuity contracts. This change has no impact on the premium revenue recognised in the prior year to 30 June 2014.

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.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

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

Accounting policy	Item involving judgement	Critical accounting judgement
1.7	Classification of insurance and investment contracts	Assessment of significance of insurance risk transferred.
1.19	Financial investments	Classification of financial investments, including assessment of market observability of valuation inputs.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ significantly from those estimates.

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
1.23, 21(b), 22(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance contracts	The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of maintaining the reserves. The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments. The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future mortality experience of the policyholders. Further detail can be found in note 21.
1.20, 21	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 reinsurers' ability to meet its claim obligations.
1.19, 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, the rate of voluntary redemptions and the liquidity premium added to the swap curve and used to discount the mortgage cash flows. Further details can be found in note 15(a).

1.3 Consolidation principles

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

Subsidiaries are those investees over which the Group has control. The Group has control over an investee if all of the following are met: (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) it has the ability to use its power over the investee to affect its own returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group uses the acquisition method of accounting for business combinations. Under this method, the cost of acquisition is measured as the aggregate of the fair value of the consideration at date of acquisition and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred and the identifiable net assets acquired is recognised as goodwill.

1 Significant accounting policies continued

1.4 Segments

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

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

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

Information on operating profit and profit before tax used by the CODM is presented on an operating segment basis.

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

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

- The writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life company;
- The arranging of guaranteed income for life contracts through regulated advice and intermediary services; 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 guaranteed income for life contracts, providing intermediary mortgage advice and arranging, plus the provision of licensed software, are included in Other segments. Other Group activities, such as capital and liquidity management, and investment activities, are reported within corporate activities.

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

1.5 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.

1.6 Foreign currencies

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

The assets and liabilities of foreign operations are translated to sterling at the rates of exchange at the reporting date. The revenues and expenses are translated to sterling at the average rates of exchange for the period. Foreign exchange differences arising on translation to sterling are classified as equity movements and recognised in the Group's foreign currency translation reserve, and reported in other comprehensive income in the Consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.7 Classification of insurance and investment contracts

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

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

Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Capped Drawdown pension business contracts are classified as investment contracts as there is no transfer of longevity risk due to the fixed term nature of the contract.

1.8 Premium revenue

All premium revenue is in respect of single premium insurance contract business.

To reflect the significant increase in Defined Benefit De-risking contract revenue during the year to 30 June 2015, the premium revenue accounting policy has been reviewed and has been updated to reflect the slightly different nature of Defined Benefit De-risking contracts and Individual GIfL contracts. This change has no impact on the premium revenue recognised in the prior year to 30 June 2014.

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

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

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.

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

Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due for payment under the terms of the contract.

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

1.9 Net investment income

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

Interest income is recognised as it accrues.

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

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

1.10 Fee and commission income

Fee and commission income, which consists of fee income for initial advances made on loans secured by mortgages, investment management fees, administration fees and commission, are recognised as the services are rendered. In addition, operating income includes fees from software licensing which are recognised across the license period.

1.11 Claims paid

GIfL maturity claims are accounted for when due for payment. Reinsurance paid claim recoveries are accounted for in the same period as the related claim.

GIfL death claims are accounted for when notified.

1 Significant accounting policies continued

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

1.13 Other operating expenses
Other operating expenses, including investment expenses, which comprise fund managers' and transaction costs, are recognised on an accruals basis.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

1.14 Finance costs
Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred.

Interest on reinsurance financing is accrued in accordance with the terms of the financing arrangements.

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

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

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

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

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

1.17 Intangible assets
Intangible assets consist of goodwill, which is deemed to have an indefinite useful life, and PrognoSys™, PVIF, brand, purchased and internally developed software, which are deemed to have finite useful lives.

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

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

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

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

PrognoSys™ is the Group's proprietary database, which has over 1 million person-years of experience collected over ten years of operations, enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives, which range from 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 intangible assets with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

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

Intangible asset	Estimated useful economic life	Valuation method
PVIF	16 years	Estimated value in-force using IFRS European Embedded Value model
Brand	5 years	Estimated royalty stream if the rights were to be licensed
Distribution network	3 years	Estimated discounted cash flow
Software	3 years	Estimated replacement cost

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

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

1.18 Equipment

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

Computer equipment – four years
Furniture and fittings – two years

1.19 Financial investments

Classification

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

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

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

The Group receives and pledges collateral in the form of cash or gilts in respect of derivative contracts. Collateral received is recognised as an asset in the Consolidated statement of financial position with a corresponding liability for the repayment in other financial liabilities. Collateral pledged is recognised in the Consolidated statement of financial position within the appropriate asset classification.

Derivatives are recognised at fair value through profit and loss. The fair values are obtained from quoted market prices or, if these are not available, by using standard valuation techniques based on discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair value is positive and liabilities when the fair values are negative. The Group does not use hedge accounting.

1 Significant accounting policies continued

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

Use of fair value

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

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

The Group holds certain financial investments for which the markets are not active. These comprise financial investments which are not quoted in active markets and include loans secured by 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).

1.20 Reinsurance

Reinsurance assets

Amounts recoverable from reinsurers are measured 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 Consolidated statement of comprehensive income.

Financial liabilities

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

Where reinsurance contracts entered into by the Group require deposits received from reinsurers to be repaid, such amounts are classified as "deposits received from reinsurers" and included in other financial liabilities in the Consolidated statement of financial position. 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.

Amounts receivable/payable

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

1.21 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.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.22 Equity

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

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

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

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

1.23 Insurance liabilities

Measurement

Long-term insurance liabilities arise from the Group writing Retirement Income contracts, including Defined Benefit De-risking Solutions, and are measured by using estimates of projected future cash flows arising from Retirement Income 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 Consolidated statement of comprehensive income.

1.24 Investment contract liabilities

Investment contracts are measured at fair value through profit and loss in accordance with IAS 39. The fair value of investment contracts is estimated using an internal model and determined on a policy-by-policy basis using a prospective valuation of future Retirement Income benefit and expense cash flows, but with an adjustment to amortise any day-one gain over the life of the contract.

1.25 Loans and borrowings

Loans and 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.

1.26 Other provisions

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

1.27 Taxation

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

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

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

2 Net investment income

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Interest income:		
Assets at fair value through profit or loss	**196.4**	205.6
Movement in fair value:		
Financial assets and liabilities designated on initial recognition	**568.1**	267.9
Derivative financial instruments	**(129.3)**	(16.6)
Total net investment income	**635.2**	456.9

3 Acquisition costs

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Commission	**10.1**	19.7
Other acquisition expenses	**8.4**	11.4
Total acquisition costs	**18.5**	31.1

4 Other operating expenses

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Personnel expenses (note 9)	**56.6**	61.9
Investment expenses and charges	**3.7**	3.3
Depreciation of equipment	**0.5**	0.9
Operating lease rentals: land and buildings	**1.5**	1.3
Restructuring costs[1]	**–**	5.4
Amortisation of intangible assets	**4.2**	4.9
Other costs	**61.1**	49.1
Total other operating expenses	**127.6**	126.8

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

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 2015 £m	Year ended 30 June 2014 £m
Fees payable for the audit of the Parent Company and consolidated accounts	**41**	40
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**313**	282
Corporate finance services	**–**	1,359
Audit-related assurance services	**78**	75
Tax compliance services	**5**	–
Tax advisory services	**28**	16
Other assurance services	**178**	22
Auditor remuneration	**643**	1,794

Notes to the consolidated financial statements continued

5 Finance costs

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Interest payable on deposits received from reinsurers	**91.8**	105.2
Loan notes and preference shares interest	**–**	13.2
Other interest payable	**9.1**	10.2
Total finance costs	**100.9**	128.6

The liabilities in relation to loan notes and preference shares were extinguished during the restructuring of the Group, prior to the IPO, as explained in note 20. The interest payable on deposits received from reinsurers is calculated by reference to the gross redemption yield on the asset portfolio.

6 Segmental reporting

Segmental analysis of operating profit and profit before tax

The Group's insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions and Defined Benefit De-risking Solutions, Care Plans, and Capped Drawdown contracts – and invests the premiums received from these contracts in corporate bonds and Lifetime Mortgage advances.

The Group's other segments include regulated advice and intermediary services, and professional services to corporates.

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

During the year, the Group reviewed the presentation of its segmental reporting in relation to the operating results of those companies within the insurance segment providing non-advised services, regulated advice and intermediary services, and the provision of licensed software to financial advisers, and the operating results of the other group companies which are included within Corporate activities. The operating results of these companies have been reclassified to a new line item within operating profit, "Other Group companies' operating result".

In the prior year, the operating result of these companies was included within operating profit within "Operating experience and assumption changes". Accordingly, operating losses of £7.5m have been reclassified in the prior year segmental note from Operating experience and assumption changes to Other Group companies' operating result. Of this amount, £2.2m relates to the insurance segment and £5.3m relates to Corporate activities.

In addition, intra-Group interest on Tier 2 loans within Corporate activities has been reclassified from Operating experience and assumption changes to Reinsurance and financing costs. Accordingly, £9.5m of intra-Group interest income previously reported within Operating experience and assumption changes within Corporate activities for the year to 30 June 2014, has been reclassified to Reinsurance and financing costs.

There is no net impact to Underlying operating profit, Operating profit before tax, Profit before corporate costs and before tax, or Profit/(loss) before tax from these changes.

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

6 Segmental reporting continued

Segmental reporting and reconciliation to financial information

Year ended 30 June 2015	Insurance £m	Other segments £m	Corporate activities £m	Total £m
New business operating profit	36.8	–	–	36.8
In-force operating profit	48.8	–	0.8	49.6
Underlying operating profit	**85.6**	**–**	**0.8**	**86.4**
Operating experience and assumption changes	2.4	–	–	2.4
Other Group companies' operating result	–	(3.3)	(5.4)	(8.7)
Reinsurance and financing costs	(28.7)	–	16.2	(12.5)
Operating profit before tax	**59.3**	**(3.3)**	**11.6**	**67.6**
Non-recurring and project expenditure	(16.8)	–	(2.6)	(19.4)
Restructuring costs	–	–	–	–
Investment and economic (losses)/profits	(74.2)	–	0.1	(74.1)
(Loss)/profit before amortisation costs and before tax	**(31.7)**	**(3.3)**	**9.1**	**(25.9)**
Amortisation costs	–	–	(3.7)	(3.7)
(Loss)/profit before tax	**(31.7)**	**(3.3)**	**5.4**	**(29.6)**

Year ended 30 June 2014	Insurance £m	Other segments £m	Corporate activities £m	Total £m
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	4.7	–	–	4.7
Other Group companies' operating result	–	(2.2)	(5.3)	(7.5)
Reinsurance and financing costs	(20.5)	–	7.1	(13.4)
Operating profit before tax	80.2	(2.2)	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 finance and amortisation costs, before tax	113.5	(2.2)	0.9	112.2
Finance costs[1]	–	–	(13.2)	(13.2)
Amortisation costs	–	–	(3.9)	(3.9)
Listing costs	–	–	(2.3)	(2.3)
Profit/(loss) before tax	113.5	(2.2)	(18.5)	92.8

1 Finance costs represent interest payable on loan notes and preference shares that were converted to ordinary share capital following the Group's reorganisation prior to the IPO.

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's products are from one material geographical segment which is the UK.

The Group's Gross Premiums Written, as shown in the Consolidated statement of comprehensive income, is analysed by product below.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Defined Benefit De-risking Solutions ("DB")	**608.9**	92.1
Guaranteed Income for Life contracts ("GIfL")	**478.0**	1,106.2
Care Plans	**12.1**	2.2
Gross Premiums Written	**1,099.0**	1,200.5

Notes to the consolidated financial statements continued

6 Segmental reporting continued

Capped drawdown and LTM products are accounted for as investment contracts and financial investments respectively in the Consolidated statement of financial position. An analysis of the amounts advanced during the year for these products is shown below.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Capped Drawdown contracts	**48.7**	73.7
LTM loans advanced	**308.1**	476.4

7 Income tax

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Current taxation		
Current year	**(13.1)**	31.5
Adjustments in respect of prior periods	**0.1**	0.4
Total current tax	**(13.0)**	31.9
Deferred taxation		
Origination and reversal of temporary differences	**8.2**	(7.2)
Rate change	**–**	(4.4)
Total deferred tax	**8.2**	(11.6)
Total income tax	**(4.8)**	20.3

Reconciliation of total income tax to the applicable tax rate:

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
(Loss)/profit on ordinary activities before tax	**(29.6)**	92.8
Income tax at 20.75% (2014: 22.5%)	**(6.1)**	20.9
Effects of:		
Expenses not deductible for tax purposes	**1.5**	1.8
Transition adjustment	**3.0**	3.3
Temporary differences	**(3.1)**	(2.1)
Rate change	**(0.4)**	(4.4)
Higher rate for overseas income	**(0.1)**	–
Unrecognised deferred tax asset	**0.3**	0.4
Adjustments in respect of prior periods	**0.1**	0.4
Total income tax	**(4.8)**	20.3

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. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the Company's future current tax charge accordingly, although there will be no material effect. The deferred tax assets and liabilities at 30 June 2015 have been calculated based on the rate of 20% substantively enacted at the Consolidated statement of financial position date.

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 ten-year period from 1 January 2013. The tax charge for the period to 30 June 2015 includes profits chargeable to corporation tax arising from this amortisation of £14.7m (2014: £14.7m).

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 2015 was £3.4m (2014: £1.8m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2014: £nil). The aggregate net value of share awards granted to the Directors in the period was £2.6m (2014: £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.

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 2015 Number	Year ended 30 June 2014 Number
Directors	**9**	9
Senior management	**68**	57
Staff	**692**	768
Average number of staff	**769**	834

The aggregate personnel costs were as follows.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Wages and salaries	**46.7**	50.6
Social security costs	**5.0**	5.7
Other pension costs	**1.6**	4.9
Share-based payment expense	**3.3**	0.7
Total personnel costs	**56.6**	61.9

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 £1.6m (2014: £4.9m).

Employee share plans

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

Share Options

Long-term incentive plan ("LTIP")

The Group made awards under the LTIP to Executive Directors and other senior managers in November 2013 and September 2014. Awards were made in the form of nil-cost options which become exercisable on the third anniversary of the grant date, subject to the satisfaction of service and performance conditions set out in the Directors' remuneration report. Options are exercisable until the tenth anniversary of the grant date.

The options are accounted for as equity-settled schemes.

Notes to the consolidated financial statements continued

10 Employee benefits continued

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

	2015 Number of options	2014 Number of options
Outstanding at 1 July	**2,994,265**	–
Granted	**4,816,871**	3,006,703
Forfeited	**(102,413)**	(12,438)
Exercised	**–**	–
Expired	**–**	–
Outstanding at 30 June	**7,708,723**	2,994,265
Exercisable at 30 June	**–**	–
Weighted-average remaining contractual life (years)	**1.91**	2.38

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

The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the LTIP are as follows.

Fair value at grant date	**£1.07**
Option pricing model used – operating profit performance Option pricing model used – TSR performance	**Black-Scholes** **Stochastic**
Share price at grant date	**£1.39**
Exercise price	**Nil**
Expected volatility[1]	**30%**
Option life	**3 years**
Dividends	**Nil**
Risk-free interest rate	**1.23%**

1 A proxy volatility based on the average volatility of 10 UK listed insurance companies, measured over the historic period commensurate with the performance period.

Deferred share bonus plan ("DSBP")

The DSBP is operated in conjunction with the Group's short-term incentive plan for Executive Directors and other senior managers of the Company or any of its subsidiaries. Awards under the DSBP were granted in September 2014 over shares with a market value of one-third of the annual bonus payable under the Group's short-term incentive plan in respect of bonuses earned in the financial year ended 30 June 2014, as explained in the Directors' remuneration report. Awards were made in the form of nil-cost options which become exercisable on the third anniversary, and until the tenth anniversary, of the grant date.

The options are accounted for as equity-settled schemes.

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

	2015 Number of options
Outstanding at 1 July	**–**
Granted	**447,916**
Forfeited	**–**
Exercised	**–**
Expired	**–**
Outstanding at 30 June	**447,916**
Exercisable at 30 June	**–**
Weighted-average remaining contractual life (years)	**2.24**

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

10 Employee benefits continued

The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the DSBP are as follows.

Fair value at grant date	**£1.39**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£1.39**
Exercise price	**Nil**
Expected volatility[1]	**Nil**
Option life	**3 years**
Dividends	**Nil**
Risk-free interest rate	**Nil**

1 A proxy volatility based on the average volatility of 10 UK listed insurance companies, measured over the historic period commensurate with the performance period.

Save As You Earn ("SAYE") scheme

The Group operates SAYE plans for all employees, allowing a monthly amount to be saved from salaries over either a three-year or five-year period which can be used to purchase shares in the Company at a predetermined price. The employee must remain in employment for the duration of the saving period and satisfy the monthly savings requirement (except in "good leaver" circumstances). Options are exercisable for up to six months after the saving period. The Group granted options under the SAYE in April 2014 and April 2015.

The options are accounted for as equity-settled schemes.

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

	Year ended 30 June 2015		Year ended 30 June 2014	
	Number of options	**Weighted-average exercise price (£)**	Number of options	Weighted-average exercise price (£)
Outstanding at 1 July	**4,192,332**	**1.21**	–	–
Granted	**792,683**	**1.28**	4,261,320	1.21
Forfeited	**(560,498)**	**1.21**	(68,988)	1.21
Exercised	**(33,636)**	**1.21**	–	–
Expired	**–**	**–**	–	–
Outstanding at 30 June	**4,390,881**	**1.22**	4,192,332	1.21
Exercisable at 30 June	**4,545**	**1.21**	3,232	1.21
Weighted-average share price at exercise		**1.44**		–
Weighted-average remaining contractual life (years)		**2.56**		3.38

The range of exercise prices of options outstanding at 30 June are as follows.

	2015 Number of options outstanding	2014 Number of options outstanding
£1.21	**3,598,198**	4,192,232
£1.28	**792,683**	–
Total	**4,390,881**	4,192,232

Notes to the consolidated financial statements continued

10 Employee benefits continued

The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the SAYE are as follows.

Fair value at grant date	**£0.42**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£1.68**
Exercise price	**£1.28**
Expected volatility[1]	**23.60–26.85%**
Option life	**3.4–5.5 years**
Dividends	**Nil**
Risk-free interest rate	**0.73–1.11%**
Saving forfeit discount	**5%**

1 A proxy volatility based on the average volatility of 8 UK listed insurance companies, measured over the historic period commensurate with the performance period.

Share Awards

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. The shares are held in trust on behalf of the employees. The 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.

The number of awards in issue at 30 June 2015 were 733,601 (2014: 792,583). Awards made in the year are in respect of additional shares to existing scheme participants on payment of dividends by the Group. The weighted average fair value of awards made in the year was £26,924 measured by reference to the quoted share price of the Company at grant date.

Share-based payment expense

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

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
LTIP	**1.9**	0.3
DSBP	**0.2**	–
SAYE	**0.7**	0.1
SIP	**0.5**	0.3
Total expense	**3.3**	0.7

11 Earnings per share

	Year ended 30 June 2015			Year ended 30 June 2014		
	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	**(24.8)**	**499.7**	**(4.96)**	72.9	449.6	16.21
Diluted earnings	**(24.8)**	**499.7**	**(4.96)**	72.9	449.8	16.21

The calculation of basic and diluted earnings per share is based on dividing the loss attributable to equity holders of the Company of £24.8m (2014: profit of £72.9m) 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 2015 million	Year ended 30 June 2014 million
Weighted average number of ordinary shares	**499.7**	449.6
Effect of dilutive potential ordinary shares:		
Share options	**–**	0.2
Diluted weighted average number of ordinary shares	**499.7**	449.8

12 Dividends

Dividends paid in the year were as follows.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Final dividend in respect of the year ended 30 June 2014 – 2.2 pence per share, paid on 8 December 2014	**11.0**	–
Interim dividend in respect of the year ended 30 June 2015 – 1.1 pence per share, paid on 14 May 2015	**5.5**	–
Total dividends paid	**16.5**	–

The Directors proposed a final dividend for the year ended 30 June 2015 of 2.2 pence per share.

Notes to the consolidated financial statements continued

13 Intangible assets

30 June 2015	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	PrognoSys™ £m	Purchased computer software £m	Assets under development £m	Internally developed software £m	Total £m
Cost									
Balance at 1 July 2014	33.6	57.3	16.6	1.6	–	1.1	2.7	14.6	127.5
Acquired during the year	–	–	–	–	–	–	–	–	–
Additions arising from internal development	–	–	–	–	–	–	1.8	–	1.8
Transfers	–	–	–	–	5.0	–	(4.1)	(0.9)	–
At 30 June 2015	**33.6**	**57.3**	**16.6**	**1.6**	**5.0**	**1.1**	**0.4**	**13.7**	**129.3**
Amortisation and impairment									
Balance at 1 July 2014	(0.8)	(16.4)	(16.6)	(1.5)	–	(1.0)	(0.4)	(13.2)	(49.9)
Charge for the year	–	(3.6)	–	(0.1)	(0.1)	(0.1)	–	(0.3)	(4.2)
Impairment	–	–	–	–	–	–	–	–	–
At 30 June 2015	**(0.8)**	**(20.0)**	**(16.6)**	**(1.6)**	**(0.1)**	**(1.1)**	**(0.4)**	**(13.5)**	**(54.1)**
Net book value at 30 June 2015	**32.8**	**37.3**	**–**	**–**	**4.9**	**–**	**–**	**0.2**	**75.2**
Net book value at 30 June 2014	32.8	40.9	–	0.1	–	0.1	2.3	1.4	77.6

30 June 2014	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Purchased computer software £m	Assets under development £m	Internally developed software £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 and impairment								
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

13 Intangible assets continued

Amortisation and impairment charge

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

Impairment testing

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

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

	30 June 2015 £m	30 June 2014 £m
Insurance operating segment	32.8	32.8
Total goodwill	**32.8**	32.8

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

The key assumptions of this calculation are noted below.

	2015
Period on which management approved forecasts are based	5 years
Discount rate	12%

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

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

14 Equipment

30 June 2015	Computer equipment £m	Furniture and fittings £m	Total £m
Cost			
Balance at 1 July 2014	3.7	2.8	6.5
Acquired during the year	0.2	–	0.2
Disposals	–	–	–
At 30 June 2015	**3.9**	**2.8**	**6.7**
Depreciation			
Balance at 1 July 2014	(2.7)	(2.8)	(5.5)
Charge for the year	(0.5)	–	(0.5)
Disposals	–	–	–
At 30 June 2015	**(3.2)**	**(2.8)**	**(6.0)**
Net book value at 30 June 2015	**0.7**	**–**	**0.7**
Net book value at 30 June 2014	1.0	–	1.0

Notes to the consolidated financial statements continued

14 Equipment continued

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

15 Financial investments

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

The Group's financial investments are summarised by measurement category as follows.

	30 June 2015 £m	30 June 2014 £m
Fair value through profit or loss		
Loans secured by mortgages	**3,471.8**	2,749.4
Other financial investments	**5,022.9**	4,740.6
Total financial investments	**8,494.7**	7,490.0

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

Other financial investments

	30 June 2015 £m	30 June 2014 £m
Fair value		
Units in liquidity funds	**280.2**	341.2
Debt securities and other fixed income securities	**4,673.8**	4,327.9
Deposits with credit institutions	**18.0**	29.2
Derivative financial assets	**50.9**	42.3
Total fair value of other financial investments	**5,022.9**	4,740.6
Cost		
Units in liquidity funds	**279.9**	341.2
Debt securities and other fixed income securities	**4,536.2**	4,192.6
Deposits with credit institutions	**18.0**	29.2
Derivative financial assets	**8.2**	4.2
Total cost of other financial investments	**4,842.3**	4,567.2

15 Financial investments continued

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

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

Deposits with credit institutions with a carrying value of £18.0m (2014: £29.2m) 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, £4,453.8m (2014: £4,146.2m) is expected to be recovered more than one year after the Consolidated 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 same assumptions as those that the market participant would use in pricing the asset or liability.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, asset-backed securities, 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. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

During the year the internal model used to value the loans secured by mortgages has been recalibrated in respect of the liquidity premium added to the swap rate. Previously the liquidity premium was considered to be unobservable and was therefore set at zero. This gave rise to a day-one gain which was deferred and recognised over the expected life of the loan.

The recalibration process has reassessed the level of the liquidity premium and this is now considered to be an observable input to the internal model. As such, the value of the liquidity premium added to the swap rate used to discount each of the mortgages has been updated with a weighted average liquidity premium used for the year to 30 June 2015 being 183bps. As a result of the recalibration, a day-one gain no longer arises, and profit is recognised over the term of the contract. There is no longer any aggregate difference yet to be recognised in profit or loss between the fair value of the mortgages at initial recognition and the amount that would have been determined at that date using the valuation technique.

Notes to the consolidated financial statements continued

15 Financial investments continued

There was no difference arising between the value of the mortgages previously reported at 30 June 2014 and the value arising using the recalibrated model. Therefore there is no impact on the fair value of the mortgage assets recognised at 30 June 2014 arising from this change.

The Level 3 bonds are 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 Retirement Income 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 2015 (2014: nil).

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

30 June 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity funds	280.2	–	–	280.2
Debt securities and other fixed income securities	710.3	3,945.0	18.5	4,673.8
Deposits with credit institutions	17.2	0.8	–	18.0
Derivative financial assets	–	50.9	–	50.9
Loans secured by mortgages	–	–	3,471.8	3,471.8
Total assets held at fair value	**1,007.7**	**3,996.7**	**3,490.3**	**8,494.7**
Liabilities held at fair value				
Investment contract liabilities	–	–	228.3	228.3
Derivative financial liabilities	–	74.3	–	74.3
Obligations for repayment of cash collateral received	18.6	–	–	18.6
Total liabilities held at fair value	**18.6**	**74.3**	**228.3**	**321.2**

30 June 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
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
Derivative financial assets	–	42.3	–	42.3
Loans secured by mortgages	–	–	2,749.4	2,749.4
Total assets held at fair value	446.3	4,278.8	2,764.9	7,490.0
Liabilities held at fair value				
Investment contract liabilities	–	–	197.4	197.4
Derivative financial liabilities	–	89.6	–	89.6
Obligations for repayment of cash collateral received	1.8	–	–	1.8
Total liabilities held at fair value	1.8	89.6	197.4	288.8

(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 between Level 1 and Level 2.

(d) Level 3 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.

15 Financial investments continued

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
At start of period	15.5	–
Gains in profit or loss	(0.1)	–
Purchases	–	15.5
Transfers from Level 2	3.5	–
Amortisation	(0.4)	–
At end of period	**18.5**	15.5

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 2015 £m	30 June 2014 £m
Fair value	3,471.8	2,749.4
At cost[1]	2,073.3	1,846.7

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 Consolidated 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 £369.5m (2014: gain of £145.8m).

In the prior year, the fair value of loans secured by mortgages was calculated by discounting the future cash flows at swap rates together with a nil liquidity premium, and the difference between the fair value at transaction date and the transaction price was recognised and deferred over the expected life of each loan.

In the current year, the fair value of loans secured by mortgages is calculated by discounting the future cash flows at a swap rate plus an observable liquidity premium. The liquidity premium is calculated at the completion date for each policy such that, at outset, the value is equal to the face value of the loan. There is no longer any difference arising between the fair value of loans secured by mortgages at transaction date and the transaction price.

The movement in the aggregate difference yet to be recognised in profit or loss between the fair value of mortgages and the amount that would have been recognised using the valuation technique is shown below.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
At start of period	564.5	431.0
Amounts deferred in the period	–	178.6
Release of previously recognised gains	(902.7)	–
Amounts recognised in profit or loss in the period	902.7	(45.1)
Amounts no longer arising due to recalibration of internal model	(564.5)	–
At end of period	**–**	564.5

Notes to the consolidated financial statements continued

15 Financial investments continued

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

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
At start of period	**2,749.4**	2,081.2
Total gains/(losses) in profit or loss[1]	**523.9**	274.9
Loans advanced	**308.1**	476.4
Redemptions	**(109.6)**	(83.1)
At end of period	**3,471.8**	2,749.4

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 3.8% (2014: 3.9%).

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 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% (2014: 0.6%).

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.

	Loans secured by mortgages valuation assumptions			
Net increase/(decrease) in profit before tax (£m)	**Maintenance expenses +10%**	**Mortality -5%**	**Property prices -10%**	**Voluntary redemptions -10%**
30 June 2015	**(4.1)**	**15.3**	**(26.1)**	**14.3**
30 June 2014	(0.6)	2.8	(5.0)	2.7

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.

15 Financial investments continued

Investment contract liabilities

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

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
At start of period	**197.4**	130.4
Deposits received from policyholders	**49.1**	73.7
Payments made to policyholders	**(21.7)**	(9.1)
Change in contract liabilities recognised in profit or loss	**3.5**	2.4
At end of period	**228.3**	197.4

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 4.1% (2014: 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 2015	Asset £m	Liability £m	Total £m
Transitional tax	**–**	**(22.1)**	**(22.1)**
Intangible assets	**–**	**(7.5)**	**(7.5)**
Other provisions	**4.2**	**(3.3)**	**0.9**
Total deferred tax	**4.2**	**(32.9)**	**(28.7)**

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)

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 £22.1m (2014: £25.0m) that arose on 1 January 2013 and represents the change in the tax rules for life insurance companies which is amortised over ten years.

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

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Net balance at 1 July	**(20.5)**	(32.1)
Amounts (charged)/credited to the Consolidated statement of comprehensive income	**(8.2)**	11.6
Net balance at 30 June	**(28.7)**	(20.5)

The Group has unrecognised deferred tax assets of £6.4m (2014: £6.2m) arising from unrelieved tax losses.

Notes to the consolidated financial statements continued

17 Prepayments and accrued income

Included in prepayments and accrued income are capitalised bank borrowing issue costs of £0.8m (2014: £1.2m).

Prepayments and accrued income for the Group includes £0.7m (2014: £0.8m) that is expected to be recovered more than one year after the Consolidated statement of financial position date.

18 Insurance and other receivables

	30 June 2015 £m	30 June 2014 £m
Receivables arising from insurance and reinsurance contracts	**28.6**	0.2
Other receivables	**5.5**	4.8
Total insurance and other receivables	**34.1**	5.0

Of the above insurance and other receivables, £0.6m (2014: £3.5m) is expected to be recovered more than one year after the Consolidated statement of financial position date.

19 Cash and cash equivalents

	30 June 2015 £m	30 June 2014 £m
Cash available on demand	**58.8**	54.4
Units in liquidity funds	**254.9**	341.2
Cash and cash equivalents in the Consolidated statement of cash flows	**313.7**	395.6

20 Share capital

The allotted and issued ordinary share capital of Just Retirement Group plc ("JRG") at 30 June 2015 is detailed below.

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Total £m
At 1 July 2014	500,831,070	50.1	1.2	51.3
In respect of employee share schemes	33,636	–	–	–
At 30 June 2015	**500,864,706**	**50.1**	**1.2**	**51.3**

JRG was incorporated on 13 June 2013 and admitted to the London Stock Exchange on 15 November 2013. Prior to admission the Company completed a reverse acquisition of the entire issued share capital of Just Retirement Group Holdings Limited ("JRGHL"). Prior to the reverse acquisition the issued debt and equity of JRGHL was converted to JRGHL ordinary shares which were subsequently acquired by JRG through a share-for-share exchange, as detailed below. The reorganisation reserve arises on consolidation for the difference between the value of JRGHL debt and equity and the value of JRG shares exchanged.

20 Share capital continued

	Note	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Reorganisation reserve £m	Total £m
On incorporation		20	–	–	–	–
Issued to JRGHL A, A1, B, C1 and C2 ordinary shareholders	1	215,918,201	21.6	–	63.6	85.2
Issued to JRGHL A and B preference shareholders	2	35,918,843	3.6	–	45.1	48.7
Issued to JRGHL A and B loan note and other loan holders	3	114,829,354	11.5	–	246.9	258.4
Issued on admission to the London Stock Exchange	4	133,333,582	13.3	286.7	–	300.0
Issue costs		–	–	(7.6)	(8.2)	(15.8)
In respect of employee share schemes	5	831,070	0.1	1.2	–	1.3
Capital reduction	6	–	–	(279.1)	–	(279.1)
At 30 June 2014		500,831,070	50.1	1.2	347.4	398.7

(1) Prior to its acquisition, JRGHL A, A1, B, C1 and C2 ordinary shares (including any accrued and unpaid dividend) with a carrying value of £85.2m were exchanged for 215,918,221 new JRGHL £0.10 ordinary shares. As part of the acquisition JRG issued 215,918,221 £0.10 ordinary shares in exchange for the JRGHL ordinary shares.

(2) Prior to its acquisition, JRGHL A and B preference shares (including any accrued and unpaid dividend) with a carrying value of £80.8m were exchanged for 35,918,843 new JRGHL £0.10 ordinary shares. As part of the acquisition JRG issued 35,918,843 £0.10 ordinary shares in exchange for the JRGHL ordinary shares. The rate of exchange of new JRGHL ordinary shares for A and B preference shares reflected non-payment of the accrued dividend of £32.1m which has been reversed through reserves and the liability derecognised, and therefore does not impact the value of capital issued by JRG or the reorganisation reserve shown above.

(3) Prior to its acquisition, JRGHL A and B loan notes and other loans (including any accrued and unpaid coupon) with a carrying value of £258.4m were exchanged for 114,829,354 new JRGHL £0.10 ordinary shares. As part of the acquisition JRG issued 114,829,354 £0.10 ordinary shares in exchange for the JRGHL ordinary shares.

(4) On 15 November 2013, JRG issued 133,333,582 £0.10 ordinary shares through an IPO, generating proceeds of £300m.

(5) On 15 November 2013, JRG issued 831,070 £0.10 ordinary shares to the employee "Share Incentive Plan".

(6) On 30 April 2014 JRG completed a High Court-approved capital reduction of the entire share premium attaching to the Company's ordinary shares in issue at that time.

21 Insurance contracts and related reinsurance

Insurance liabilities

	2015 Gross £m	2015 Reinsurance £m	2015 Net £m
Future policyholders' benefits	**7,440.3**	**2,477.1**	**4,963.2**

	2014 Gross £m	2014 Reinsurance £m	2014 Net £m
Future policyholders' benefits	6,483.6	3,616.3	2,867.3

(a) Terms and conditions of insurance contracts

The Group writes insurance contracts in the form of individually underwritten Guaranteed Income for Life Solutions ("GIfL") 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.

Notes to the consolidated financial statements continued

21 Insurance contracts and related reinsurance continued

(b) Principal assumptions underlying the calculation of insurance contracts

Valuation discount rates

Valuation discount rate assumptions for GIfL 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	2015 %	2014 %
Individually underwritten Guaranteed Income for Life Solutions	**3.96**	4.13

Mortality assumptions

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

Mortality tables:

Individually underwritten Guaranteed Income for Life Solutions

	2015	2014
Males	**PCMA00**	PCMA00
Females	**PCFA00**	PCFA00

The percentage of each table used varies according to medical and lifestyle conditions, premium size and gender. In addition, 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.

Defined benefit

Mortality assumptions for defined benefit schemes are set by reference to the mortality tables of the scheme's reinsurer, which are underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables.

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 4.1% (2014: 4.2%) derived from the expected retail price index implied by inflation swap rates and an additional allowance for earnings inflation.

21 Insurance contracts and related reinsurance continued

(c) Movements

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

	Gross £m	Reinsurance £m	Net £m
Carrying amount			
At 1 July 2014	**6,483.6**	**3,616.3**	**2,867.3**
Increase in liability from premiums	**1,079.5**	**148.5**	**931.0**
Release of liability due to recorded claims	**(510.9)**	**(252.2)**	**(258.7)**
Unwinding of discount	**269.0**	**110.6**	**158.4**
Changes in economic assumptions	**116.6**	**(172.7)**	**289.3**
Changes in non-economic assumptions	**(1.5)**	**(8.6)**	**7.1**
Other movements[1]	**4.0**	**(964.8)**	**968.8**
At 30 June 2015	**7,440.3**	**2,477.1**	**4,963.2**

	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

Effect of changes in assumptions and estimates during the period

Economic assumption changes

Discount rates

The valuation interest rate over the period has decreased by 0.17% from 4.13% at 30 June 2014 to 3.96% at 30 June 2015. A decrease in the valuation interest rate increases the carrying value of insurance liabilities.

Expense inflation

The renewal expense inflation assumption used at 30 June 2015 was 4.1% p.a. (2014: 4.2% p.a.).

Non-economic assumption change

Expense assumption

The GIfL renewal expense assumption used at 30 June 2015 was £43.97 per plan, an increase from £38.94 per plan at 30 June 2014, whilst the DB renewal assumption used at 30 June 2015 was £53.32 per plan. 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 Retirement Income payments in proportion to the policy cash flows estimated to arise during that period.

30 June 2015	Within 1 year £m	1–5 years £m	5–15 years £m	Over 15 years £m	Total £m
Gross	529.0	1,864.5	3,121.8	1,925.0	7,440.3
Reinsurance	(172.6)	(618.0)	(1,053.5)	(633.0)	(2,477.1)
Net	**356.4**	**1,246.5**	**2,068.3**	**1,292.0**	**4,963.2**

Notes to the consolidated financial statements continued

21 Insurance contracts and related reinsurance continued

30 June 2014	Within 1 year £m	1–5 years £m	5–15 years £m	Over 15 years £m	Total £m
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

(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)

30 June 2015	Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Mortality -5%	Property prices -10%	Voluntary redemptions -10%
Gross	(5.3)	58.2	(19.9)	(80.8)	(26.1)	14.3
Reinsurance	(20.6)	25.5	–	31.9	–	–
Net (decrease)/increase in profit before tax	**(25.9)**	**83.7**	**(19.9)**	**(48.9)**	**(26.1)**	**14.3**

30 June 2014	Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Mortality -5%	Property prices -10%	Voluntary redemptions -10%
Gross	(17.4)	20.5	(13.8)	(69.8)	(28.7)	2.7
Reinsurance	(15.3)	18.0	–	42.4	–	–
Net (decrease)/increase in profit before tax	(32.7)	38.5	(13.8)	(27.4)	(28.7)	2.7

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.

22 Investment contract liabilities

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Balance at 1 July	**197.4**	130.4
Deposits received from policyholders	**49.1**	73.7
Payments made to policyholders	**(21.7)**	(9.1)
Change in contract liabilities recognised in profit or loss	**3.5**	2.4
Balance at 30 June	**228.3**	197.4

Investment contracts are not reinsured.

22 Investment contract liabilities continued

(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.

(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. Because the expected cash inflows from the supporting assets closely match the expected cash flows arising from the investment contracts, the derived discount rate reflects the characteristics of the investment contracts in terms of timing, currency and liquidity.

The changes in the valuation discount rates reflect the changes in yields on the supporting assets.

Valuation discount rates	2015 %	2014 %
Investment contracts	**3.96**	4.22

23 Loans and borrowings

	30 June 2015 £m	30 June 2014 £m
Bank borrowings	**46.9**	51.6

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.

£3.6m of the loan was repaid on 11 October 2013 and a further £4.5m was repaid on 11 October 2014.

The fair value of the bank borrowings is the same as the carrying value.

24 Other financial liabilities

The Group has other financial liabilities which are measured at either amortised cost, fair value through profit or loss, or in accordance with relevant underlying contracts ("insurance rules"), summarised as follows.

	Note	30 June 2015 £m	30 June 2014 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	**74.3**	89.6
Obligations for repayment of cash collateral received	(a)	**18.6**	1.8
Liabilities measured using insurance rules			
Deposits received from reinsurers	(b)	**2,473.6**	3,464.0
Reinsurance finance	(c)	**76.7**	98.2
Total other liabilities		**2,643.2**	3,653.6

The liabilities above, which are measured at fair value through profit or loss, are designated as such on initial recognition.

Notes to the consolidated financial statements continued

24 Other financial liabilities continued

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

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

(b) Deposits received from reinsurers

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

(c) Reinsurance finance

The reinsurance finance has been established in recognition of the loan obligation to the reinsurers under the Group's reinsurance financing arrangements, the repayment of which are contingent upon the emergence of surplus under the Pillar 1 valuation rules.

25 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	29.7	4.0	368.4
Sterling interest rate swaps	15.1	70.3	314.0
Sterling interest rate swaptions	6.1	–	1,140.0
Inflation swap	–	–	6.5
Total at 30 June 2015	**50.9**	**74.3**	**1,828.9**

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD 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

The above derivative financial instruments are not expected to be settled within 12 months of the Consolidated statement of financial position date. The maximum exposure to credit risk at the reporting date is the fair value of the derivatives in the Consolidated 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 International Swaps and Derivatives Association Inc. ("ISDA") 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 2015, the Company had pledged collateral of £55.6m (2014: £54.3m) of which £38.4m were gilts (2014: £25.1m) and had received cash collateral of £18.6m (2014: £1.8m).

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

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Movement in fair value of swaps	**15.7**	(17.8)
Realised (losses)/gains on interest rate swaps closed	**(145.0)**	1.2
Total amounts recognised in profit or loss	**(129.3)**	(16.6)

26 Reinsurance

The Group's subsidiary, Just Retirement Limited, has entered into long-term reinsurance arrangements with a number of reinsurance companies as part of its risk management activities. Individually underwritten GIfL business is reinsured by quota share treaties, where a percentage of the liability under the 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. Since 1 March 2015, GIfL business which has been underwritten using PrognoSys™ is 45% reinsured via a longevity swap contract in addition to amounts reinsured under the quota share treaties.

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 Consolidated statement of financial position date is £2,292.5m (2014: £3,207.2m).

During the period the Group recaptured business in respect of certain underwriting years in respect of its quota share treaty with Hannover Re. The recapture resulted in a decrease in ceded liabilities of £950.9m (2014: £263.1m) and a reduction in the deposit back of £950.9m (2014: £263.1m). Other treaties remain in-force in respect of these underwriting years, so a proportion of liabilities for these years remain reinsured, although for the business recaptured the Group now solely bears the risks and rewards in respect of that business.

DB business is reinsured on a scheme-by-scheme basis via a longevity swap contract which transfers 55% of risk to the reinsurer.

Care Plan business is reinsured via a longevity swap contract which transfers 90% of the risk to the reinsurer.

27 Other provisions

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Balance at 1 July	**4.8**	1.7
Amounts utilised	**(2.2)**	(0.8)
Amounts released	**(1.3)**	(0.4)
Amounts charged to Consolidated statement of comprehensive income	**0.2**	4.3
Balance at 30 June	**1.5**	4.8

Other provisions include holiday pay, redundancy and ancillary expense provisions.

The amount of provisions that is expected to be settled more than 12 months after the Consolidated statement of financial position date is £0.5m (2014: £0.5m).

28 Current tax

Current tax assets/liabilities receivable/payable in more than one year are £nil (2014: £nil).

29 Accruals and deferred income

Accruals and deferred income payable in more than one year are £0.7m (2014: £nil).

30 Insurance and other payables

	30 June 2015 £m	30 June 2014 £m
Payables arising from insurance and reinsurance contracts	**15.6**	13.3
Other payables	**7.1**	22.2
Total insurance and other payables	**22.7**	35.5

Insurance and other payables due in more than one year are £2.0m (2014: £2.0m).

Notes to the consolidated financial statements continued

31 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 2015 £m	30 June 2014 £m
Less than one year	**1.5**	1.5
Between one and five years	**6.0**	5.9
More than five years	**0.3**	1.8
Total future minimum lease payments	**7.8**	9.2

Capital commitments

The Group had no capital commitments as at 30 June 2015 (2014: £nil).

32 Contingent liabilities

The Group had no contingent liabilities as at 30 June 2015 (2014: £nil).

33 Financial and insurance risk management

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

(a) Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

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

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

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

Underpinning the management of insurance risk are:

- The development and use of medical information (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.

33 Financial and insurance risk management continued

(b) Market risk

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

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

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

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

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

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies.

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

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

30 June 2015	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	280.2	–	–	–	–	280.2
Debt securities and other fixed income securities	270.9	1,229.1	1,377.4	1,796.4	–	4,673.8
Deposits with credit institutions	18.0	–	–	–	–	18.0
Derivative financial assets	–	6.3	29.5	15.1	–	50.9
Loans secured by mortgages	–	–	–	–	3,471.8	3,471.8
Total	**569.1**	**1,235.4**	**1,406.9**	**1,811.5**	**3,471.8**	**8,494.7**

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
Units in liquidity funds	341.2	–	–	–	–	341.2
Debt securities and other fixed income securities	224.0	1,290.4	1,372.9	1,440.6	–	4,327.9
Deposits with credit institutions	29.2	–	–	–	–	29.2
Derivative financial assets	–	–	30.2	12.1	–	42.3
Loans secured by mortgages	–	–	–	–	2,749.4	2,749.4
Total	594.4	1,290.4	1,403.1	1,452.7	2,749.4	7,490.0

Notes to the consolidated financial statements continued

33 Financial and insurance risk management continued

(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 Retirement Income products. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the inflation risk associated with its index-linked Retirement Income products.

(iv) Currency risk

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

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. From time to time, the Group acquires fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolio. All 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 25).
- Reinsurance – reinsurance is used to manage longevity risk but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk – credit risks for loans secured by mortgages has been considered within "property risk" above.

33 Financial and insurance risk management continued

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 30 June.

30 June 2015	AAA[1] £m	AA £m	A £m	BBB[2] £m	Unrated £m	Total £m
Units in liquidity funds	254.9	–	–	–	25.3	280.2
Debt securities and other fixed income securities	790.7	241.6	1,680.9	1,778.0	182.6	4,673.8
Deposits with credit institutions	–	–	0.9	17.1	–	18.0
Derivative financial assets	–	–	17.5	33.4	–	50.9
Reinsurance assets	–	2.6	0.9	–	–	3.5
Insurance and other receivables	–	–	0.6	–	33.5	34.1
Total	**1,045.6**	**244.2**	**1,700.8**	**1,828.5**	**241.4**	**5,060.5**

30 June 2014	AAA[1] £m	AA £m	A £m	BBB[2] £m	Unrated £m	Total £m
Units in liquidity funds	341.2	–	–	–	–	341.2
Debt securities and other fixed income securities	273.5	612.9	1,871.8	1,569.7	–	4,327.9
Deposits with credit institutions	–	–	29.2	–	–	29.2
Derivative financial assets	–	–	42.3	–	–	42.3
Reinsurance assets	–	121.7	30.6	–	–	152.3
Insurance and other receivables	–	–	0.6	–	4.4	5.0
Total	614.7	734.6	1,974.5	1,569.7	4.4	4,897.9

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

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

Exposure to liquidity risk arises from:

- Deterioration in the external environment caused by economic shocks, regulatory changes 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 Retirement Income 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 Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

Notes to the consolidated financial statements continued

33 Financial and insurance risk management continued

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

Cash flow forecasts over the short, medium and long terms are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required.

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

30 June 2015	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
Bank borrowings	6.2	44.3	–	–
Derivative financial liabilities	1.0	4.0	454.7	–
Obligations for repayment of cash collateral received	18.6	–	–	–
Deposits received from reinsurers	183.9	715.0	2,743.4	–
Reinsurance finance	–	–	–	76.7

30 June 2014	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
Bank borrowings	6.4	50.2	–	–
Derivative financial liabilities	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

34 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 PRA 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.

34 Capital continued

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 2015 £m	30 June 2014 £m
Share capital	50.1	50.1
Share premium	1.2	1.2
Reorganisation reserve	347.4	347.4
Shares held by trusts	(0.7)	(0.1)
Accumulated profit	416.0	454.2
Capital attributable to owners of Just Retirement Group plc	**814.0**	**852.8**
Non-controlling interest	–	–
Total capital	**814.0**	**852.8**

Just Retirement Limited – Pillar 1 capital position (unaudited)

	30 June 2015 £m	30 June 2014 £m
Total capital resources	556.2	675.6
Capital resources requirement (Pillar 1)	(336.0)	(286.6)
Excess available capital resources	**220.2**	**389.0**
Cover ratio	**166%**	**236%**

Notes to the consolidated financial statements continued

35 Group entities

The Group holds investment 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 Finance plc[3]	Dormant	England & Wales	100%
Just Re 1 Limited[3]	Dormant	England & Wales	100%
Just Re 2 Limited[3]	Dormant	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%[6]
The Open Market Annuity Service Limited[4]	Software solutions	Northern Ireland	100%
TOMAS Online Development Limited[4]	Software development	Northern Ireland	100%
Just Retirement (South Africa) Holdings (Pty) Limited[2]	Holding company	South Africa	100%
Just Retirement Life (South Africa) Limited[5]	Life assurance	South Africa	100%
Just Retirement Money Limited[2]	Dormant	England & Wales	100%
Just Retirement Nominees Limited[2]	Dormant	England & Wales	100%
Just Equity Release Limited[2]	Dormant	England & Wales	100%
Just Annuities Limited[2]	Dormant	England & Wales	100%
Just Protection Limited[2]	Dormant	England & Wales	100%
Enhanced Retirement Limited[2]	Dormant	England & Wales	100%

1 Subsidiary of Just Retirement Group Holdings Limited.
2 Subsidiary of Just Retirement (Holdings) Limited.
3 Subsidiary of Just Retirement Limited.
4 Subsidiary of TOMAS Acquisitions Limited.
5 Subsidiary of Just Retirement (South Africa) Holdings (Pty) Limited.
6 Class "A" and Class "B" ordinary shares.

All subsidiary undertakings have a financial year end of 30 June.

36 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 2015 £m	Year ended 30 June 2014 £m
Short-term employee benefits	7.0	5.3
Share-based payments	1.2	0.2
Total key management compensation	**8.2**	5.5

37 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.

38 Post balance sheet events

The following non-adjusting post balance sheet event has taken place since 30 June 2015 and the date of this report:

On 11 August 2015, the Boards of Just Retirement Group plc and Partnership Assurance Group plc announced they had reached agreement on the terms of a recommended all-share Merger to create JRP Group plc. The proposed Merger is expected to result in Just Retirement shareholders owning approximately 60% of the Combined Group and Partnership Assurance shareholders owning approximately 40% of the Combined Group. Just Retirement and Partnership Assurance intend to raise equity capital amounting to £150m in aggregate. The proposed Merger, which will be accounted for as a business combination, is expected to complete in late 2015, subject to shareholder, CMA and regulatory approvals.

Parent Company balance sheet
As at 30 June 2015

Company number: 08568957	Note	30 June 2015 £m	30 June 2014 £m
Fixed assets			
Investment in subsidiary undertakings	2	**256.7**	212.4
Current assets			
Financial assets		**53.1**	113.7
Amounts due from Group undertakings		**0.1**	0.3
Prepayments and accrued income		**1.1**	1.4
Cash and cash equivalents		**0.8**	0.3
		55.1	115.7
Current liabilities			
Creditors: amounts falling due within one year		**(0.6)**	(0.5)
Net current assets		**54.5**	115.2
Net assets		**311.2**	327.6
Capital and reserves			
Share capital	3	**50.1**	50.1
Share premium account	3	**–**	–
Shares held by trusts	3	**(0.7)**	(0.1)
Profit and loss account	3	**261.8**	277.6
Shareholders' funds	3	**311.2**	327.6

The financial statements were approved by the Board of Directors on 16 September 2015 and were signed on its behalf by:

Simon Thomas
Director

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 £2.6m (2014: £2.2m).

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 and charges 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

	30 June 2015 £m	30 June 2014 £m
Shares in Just Retirement Group Holdings Limited		
At start of period	**212.4**	–
Additions	**44.3**	212.4
At end of period	**256.7**	212.4

Additions relate to shares issued by Just Retirement Group Holdings Limited.

Notes to the Parent Company balance sheet continued

2 Investments in subsidiary undertakings continued

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 35 to the Group financial statements.

3 Reconciliation of movements in shareholders' funds

Details of the Company's ordinary share capital and share premium account are shown in note 20 of the notes to the Group's financial statements.

	30 June 2015					30 June 2014
	Called up share capital £m	Share premium account £m	Shares held by trusts £m	Profit and loss account £m	Total £m	Total £m
At start of period	50.1	–	(0.1)	277.6	327.6	–
Shares issued	–	–	–	–	–	329.1
Dividends	–	–	–	(16.5)	(16.5)	–
Share-based payments	–	–	(0.6)	3.3	2.7	0.7
Loss for the period	–	–	–	(2.6)	(2.6)	(2.2)
At end of period	**50.1**	**–**	**(0.7)**	**261.8**	**311.2**	327.6

European embedded value ("EEV")

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 additional 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 2015

	Note	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Operating profit for covered business	6	**112.3**	97.7
Operating loss of distribution company		**(0.7)**	(0.7)
Operating profit/(loss) from other Group companies		**6.5**	(16.8)
Operating profit		**118.1**	80.2
Economic variance	6	**(23.4)**	106.5
Profit before tax		**94.7**	186.7
Tax			
Covered business	6	**(16.7)**	(45.8)
Other		**(3.8)**	(0.8)
Profit after tax		**74.2**	140.1
Other comprehensive income			
Exchange differences on translating foreign operations		**(0.2)**	–
Total other comprehensive income, net of tax		**(0.2)**	–
Total comprehensive income		**74.0**	140.1

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 2015

	Year ended 30 June 2015			Year ended 30 June 2014		
	Covered business £m	Non-covered business £m	Total £m	Covered business £m	Non-covered business £m	Total £m
Opening Group EEV	**699.1**	**260.0**	**959.1**	491.2	(302.4)	188.8
Total comprehensive income for the period	73.7	0.3	74.0	157.9	(17.8)	140.1
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	10.0	(10.0)	–	50.0	(50.0)	–
Dividends	–	(16.5)	(16.5)	–	–	–
Share-based payments	–	2.7	2.7	–	4.3	4.3
Acquisition of non-controlling interest	–	–	–	–	(0.3)	(0.3)
Closing Group EEV	**782.8**	**236.5**	**1,019.3**	699.1	260.0	959.1

1 Total share issue costs incurred were £18.4m, consisting of £13.0m recognised directly in reserves in the year to 30 June 2014, £2.3m recognised in comprehensive income in the year to 30 June 2014, and £3.1m recognised in the year to 30 June 2013.

Group statement of financial position

As at 30 June 2015

	30 June 2015 £m	30 June 2014 £m
Assets		
Value of in-force business	**417.9**	202.5
Intangible assets	**5.1**	3.8
Equipment	**0.7**	1.0
Financial investments	**8,494.7**	8,054.5
Reinsurance assets	**2,645.0**	3,681.8
Deferred tax assets	**4.2**	3.8
Current tax assets	**17.6**	0.6
Prepayments and accrued income	**86.2**	91.4
Insurance and other receivables	**34.1**	5.0
Cash and cash equivalents	**58.8**	54.4
Total assets	**11,764.3**	12,098.8
Equity	**1,019.3**	959.1
Liabilities		
Insurance liabilities	**7,859.0**	7,258.4
Loans and borrowings	**46.9**	51.6
Other liabilities	**2,794.7**	3,752.8
Other provisions	**4.8**	7.1
Current tax liabilities	**0.1**	20.1
Accruals and deferred income	**18.7**	16.4
Insurance and other payables	**20.8**	33.3
Total liabilities	**10,745.0**	11,139.7
Total equity and liabilities	**11,764.3**	12,098.8

The notes on pages 138 to 146 form an integral part of these supplementary financial statements.

The supplementary financial statements were approved by the Board of Directors on 16 September 2015 and were signed on its behalf by:

Simon Thomas
Group Finance Director

Shayne Deighton
Group Chief Actuary

Reconciliation of shareholders' equity on IFRS basis to shareholders' equity on EEV basis

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Shareholders' equity on IFRS basis	**814.0**	852.8
Asset valuation differences	**94.5**	554.0
Liability valuation differences	**(340.0)**	(674.5)
Deferred tax	**32.9**	24.3
Value of in-force business	**417.9**	202.5
Shareholders' equity on EEV basis	**1,019.3**	959.1
Analysis of ordinary shareholders' equity		
IFRS-basis ordinary shareholders' equity	**814.0**	852.8
Additional retained profit on an EEV basis	**205.3**	106.3
Shareholders' equity on EEV basis	**1,019.3**	959.1

The asset valuation differences of £94.5m (2014: £554.0m) are caused largely by the different valuation placed on reassurance assets under regulatory accounting and the removal of intangible assets recorded under IFRS, which are not recognised on the EEV basis. The liability valuation differences of £(340.0)m (2014: £(674.5)m) are caused largely by the different discount rates used to value the Retirement Income customer liabilities in regulatory accounting (resulting from additional margins for prudence) and additional margins in the longevity assumptions.

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 ("IFRS") as adopted by the European Union. The Group has also prepared these supplementary financial statements in accordance with the European Embedded Value Principles.

The EEV basis results have been prepared in accordance with the EEV Principles issued in May 2004 by the European Insurance CFO Forum ("CFO Forum"), and supplemented by the Additional Guidance on EEV Disclosures published in October 2005. 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 and lifetime mortgages. This has been achieved by increasing the discount rate used for valuing Retirement Income 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 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 Guaranteed Income for Life Solutions;
  - Defined Benefit De-risking contracts;
  - Capped Drawdown pension business contracts; and
  - Care Plans.

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 GIfL and DB contracts.

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 Retirement Income 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:
(i) Certainty equivalent value; less
(ii) Time value of financial options and guarantees; less
(iii) Allowance for non-market risk; less
(iv) 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.

Notes to the European embedded value continued

Supplementary financial statements continued

2) Methodology continued

(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.

E. Valuation of cash flows

Within the calculation of the value of in-force business, the reference rate used for valuing the Retirement Income cash flows has been set equal to the mid-market swap rate, plus a liquidity premium adjustment. At June 2015 the mortgage asset values used in the embedded value have been brought into line with the IFRS fair values calculated by discounting the future cash flows at a swap rate plus a liquidity premium. To be consistent with the mortgage asset values the calculation of the liquidity premium adjustment in the value of in-force has changed and is calculated separately for both corporate bonds and lifetime mortgages backing the Retirement Income liabilities. For corporate bonds the liquidity premium is calculated by deducting a prudent allowance for credit default risk from the overall average spread to swaps on the whole corporate bond portfolio. For lifetime mortgages the liquidity premium is calculated by equating the present value of all the matching cash flows discounted at the swap rate plus the liquidity premium to the IFRS asset value of the matching mortgages. The same approach has been used to value the lifetime mortgage cash flows that are not deemed to back the Retirement Income business.

(i) In-force business

For the in-force business the liquidity premium adjustment has been derived using the method described above.

(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 previous approach adopted at 30 June 2014 and is derived from the iBOXX Sterling Corporate Bond Index, as 50% of the Index Asset Swap Margin less 40bp where 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 Retirement Income 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 Retirement Income cash flows are backed by bonds.

F. Reinsurance

The Group has put in place reinsurance arrangements in respect of the GIfL 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 business once remaining financing has been repaid.

The Group has put in place separate reinsurance arrangements for the DB and Care Plan 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 Retirement Income policies or the date each mortgage advance was completed as appropriate.

Sample mid-market swap rates at 30 June 2015 and 30 June 2014 are shown in the following table.

	Term (years)				
Swap rates (at sample terms, %)	1	5	10	20	30
30 June 2015	**0.8**	**1.7**	**2.2**	**2.4**	**2.4**
30 June 2014	0.9	2.2	2.8	3.2	3.2

The average in-force liquidity premium adjustment as at 30 June 2015 using the revised methodology was 178bp (2014: 51bp on previous methodology). 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 61bp (2014: 59bp) 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 these assumptions have been assessed and the cost of the no-negative equity guarantee has been calibrated 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.

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 2015 and 30 June 2014 are shown in the following table.

	Term (years)				
House price inflation rates (at sample terms, %)	1	5	10	20	30
30 June 2015	**(3.7)**	**0.9**	**3.2**	**4.1**	**4.1**
30 June 2014	(2.1)	1.3	3.4	4.2	4.2

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 2015 was 9.7% p.a. (2014: 9.8% p.a.). The volatility assumption used for new business was 9.8% p.a.

Expense inflation

For the Retirement Income products, the assumed future rate of increases in per policy maintenance expenses is 3.6% p.a. (2014: 3.7% p.a.).

For the lifetime mortgages, the assumed future rate of increases in maintenance expenses is 3.8% p.a. (2014: 3.9% 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 20% throughout being the effective tax rate at the valuation date (2014: 22.5%).

Notes to the European embedded value continued

Supplementary financial statements continued

3) Assumptions continued

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 GIfL policies the mortality assumptions are based on the PCMA00 (males) and PCFA00 (females) mortality tables and the CMI 2014 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. The underwriting factors applying to certain underwriting years have been reviewed as at 30 June 2015.

For DB 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 Care Plan 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 are unchanged from those used at 30 June 2014.

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 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 are unchanged from those used at 30 June 2014.

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 2015 have been considered exceptional and one-off in nature. These non-recurring 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 non-recurring expenses for the year ended 30 June 2015 were £16.8m (2014: £10.8m).

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.

3) Assumptions continued

Non-market risk

At 30 June 2015 the provision for non-market risk has been established as 0.18% of the best estimate reserves in respect of Retirement Income business. This assumption is unchanged from that used as at 30 June 2014. For the value of new business in the period to 30 June 2015, a deduction of 0.18% of best estimate reserves at point of sale has been applied.

Required capital

At 30 June 2015 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. This assumption is unchanged from that used as at 30 June 2014.

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 2015 £m	Year ended 30 June 2014 £m
Just Retirement Limited		
Shareholders' net assets	**364.9**	496.6
Value of in-force business		
Certainty equivalent value	**525.8**	293.6
Deferred tax asset	**8.7**	–
Time value of financial options and guarantees	**(76.1)**	(45.1)
Allowance for non-market risk	**(11.9)**	(10.0)
Cost of capital	**(28.6)**	(36.0)
Value of in-force business	**417.9**	202.5
Embedded value of Just Retirement Limited	**782.8**	699.1
Net assets/(liabilities) of other Group companies	**236.5**	260.0
Group embedded value	**1,019.3**	959.1

Based on the appropriate year-end assumptions, as set out above, the amount of required capital as at 30 June 2015 was £588.0m (2014: £501.5m). The free surplus of Just Retirement Limited at 30 June 2015 was £(223.1)m (2014: £(4.9)m) excluding the £210m (2014: £179m) of Tier 2 debt held within JRL.

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 2015 and 30 June 2014.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Certainty equivalent value	**119.2**	131.7
Time value of financial options and guarantees	**(14.3)**	(8.9)
Allowance for non-market risk	**(1.4)**	(2.0)
Cost of capital	**(5.4)**	(5.9)
Value of new business	**98.1**	114.9

During the year ended 30 June 2015 the amount of required capital for new business was £87.0m (2014: £73.7m).

Notes to the European embedded value continued

Supplementary financial statements continued

6) Covered business analysis of movement in embedded value of JRL

The following table sets out an analysis of the embedded value profit for the year ended 30 June 2015 together with the comparative figures for the year ended 30 June 2014. 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 2015 £m	Total for year ended 30 June 2014 £m
Opening embedded value	(4.9)	501.5	202.5	**699.1**	491.2
Expected return on opening embedded value	(0.1)	5.4	32.4	**37.7**	43.7
Expected surplus from in-force business	34.9	(24.0)	(10.9)	**–**	–
New business contribution	(75.2)	87.0	110.9	**122.7**	148.2
Operating experience variance	(40.3)	(0.4)	11.5	**(29.2)**	(39.5)
Operating assumption changes	18.4	(12.0)	(7.0)	**(0.6)**	(45.2)
Interest on Tier 2 loan	(18.3)	–	–	**(18.3)**	(9.5)
Operating profit for covered business	**(80.6)**	**56.0**	**136.9**	**112.3**	97.7
Economic variance[1]	(184.7)	30.5	132.3	**(21.9)**	106.0
Embedded value profit before tax	**(265.3)**	**86.5**	**269.2**	**90.4**	203.7
Tax	37.1	–	(53.8)	**(16.7)**	(45.8)
Profit after tax	**(228.2)**	**86.5**	**215.4**	**73.7**	157.9
New capital	10.0	–	–	**10.0**	50.0
Closing embedded value	**(223.1)**	**588.0**	**417.9**	**782.8**	699.1

1 The economic variance of £(23.4)m (2014: £106.5m) reported in the Summarised statement of comprehensive income includes £(1.5)m (2014: £0.5m) 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.

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 2015 £m**	Total for year ended 30 June 2014 £m
Reinsurance arrangements	(0.1)	5.2	**5.1**	(5.3)
Maintenance and investment expenses	(0.3)	–	**(0.3)**	(3.6)
Non-recurring expenses	(16.8)	–	**(16.8)**	(10.8)
Strategic investment expenses	(1.5)	–	**(1.5)**	(3.6)
Tax variances	(13.4)	10.9	**(2.5)**	(2.1)
Experience variances	(8.6)	(4.6)	**(13.2)**	(14.1)
Total operating experience variances	**(40.7)**	**11.5**	**(29.2)**	(39.5)

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 2015 £m**	Total for year ended 30 June 2014 £m
Maintenance expenses	(0.7)	(1.2)	**(1.9)**	0.5
Mortgage assumption	–	–	**–**	(46.5)
Tax	–	16.1	**16.1**	3.5
Non-market risk	–	0.9	**0.9**	2.9
Cost of capital	–	–	**–**	(10.2)
Reinsurance changes	2.1	(1.1)	**1.0**	(4.1)
Non-policy reserves	–	–	**–**	9.6
IFRS mortgage valuation	4.9	(21.5)	**(16.6)**	–
Model changes	0.1	(0.2)	**(0.1)**	(0.9)
Total operating assumption changes	**6.4**	**(7.0)**	**(0.6)**	(45.2)

The tax item reflects the change from the effective tax rate used at the previous reporting date (22.5%) to the rate used at this reporting date (20%).

The IFRS mortgage valuation item includes the change to the liquidity premium methodology.

9) Sensitivities
The Group embedded value at 30 June 2015 and the value of new business for the year to 30 June 2015 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 Retirement Income products 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

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 (in relation to the corporate bond element only).
- 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.
- Retirement Income customer 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 19% (i.e. 1% lower than in the central case).
- 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 2015 £m	Value of new business for year ended 30 June 2015 £m
Central value	**1,019.3**	**98.1**
Impact of:		
• 1% reduction in yield curves	**106.4**	**n/a**
• 1% increase in yield curves	**(50.0)**	**n/a**
• 10bp reduction in reference rate	**(10.1)**	**(2.4)**
• 10bp reduction in credit spreads	**20.9**	**n/a**
• 10bp increase in credit spreads	**(20.7)**	**n/a**
• 10bp reduction in liquidity premium	**(20.5)**	**(2.1)**
• 10% reduction in property values	**(24.1)**	**(5.3)**
• 125% of implied property volatilities	**(44.3)**	**(10.5)**
• 75% of implied property volatilities	**30.1**	**7.6**
• 5% reduction in Retirement Income customer base mortality	**(78.6)**	**(10.4)**
• 5% reduction in lifetime mortgage base mortality	**21.8**	**4.3**
• 10% reduction in lifetime mortgage voluntary redemptions	**18.6**	**4.4**
• 10% reduction in maintenance expenses	**13.8**	**1.3**
• 1% reduction in corporation tax rate	**7.8**	**1.6**
• Required capital equal to 100% of LTICR plus 100% of RCR	**14.3**	**4.0**

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.

Independent Auditor's report to Just Retirement Group plc on the European Embedded Value ("EEV") basis supplementary information

We have audited the EEV basis supplementary information ("the supplementary information") of Just Retirement Group plc ("the Company") for the year ended 30 June 2015 set out on pages 135 to 146. The financial reporting framework that has been applied in the preparation of the supplementary information is the European Embedded Value Principles issued in May 2004 by the European CFO Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 (together "the EEV Principles") using the methodology and assumptions set out on pages 138 to 143. The supplementary information should be read in conjunction with the Group financial statements which are on pages 87 to 131.

This report is made solely to the Company in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 147, the directors have accepted responsibility for the preparation of the supplementary information on the EEV basis in accordance with the EEV Principles.

Our responsibility is to audit, and express an opinion on, the supplementary information in accordance with the terms of our engagement and in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the supplementary information

An audit involves obtaining evidence about the amounts and disclosures in the supplementary information sufficient to give reasonable assurance that the supplementary information is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the supplementary information. In addition we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited supplementary information. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on supplementary information

In our opinion, the EEV basis supplementary information of the Company for the year ended 30 June 2015 has been properly prepared, in all material respects, in accordance with the EEV Principles using the methodology and assumptions set out on pages 138 to 143.

Ben Priestley
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
United Kingdom
16 September 2015

Information for Shareholders

Financial calendar 2015/16

Annual General Meeting	23 November 2015
Record date for proposed final dividend	13 November 2015
Payment of final dividend, subject to shareholder approval	7 December 2015
Expected announcement of interim results for the six months ending 31 December 2015	23 February 2016
Expected announcement of results	15 September 2016
Expected date of Annual General Meeting	23 November 2016

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 email 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 2015

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1-5,000	131	34.1%	217,403	Less than 0.1%
5,001–10,000	29	7.5%	225,808	Less than 0.1%
10,001–100,000	97	25.3%	3,666,745	0.7%
100,001–1,000,000	76	19.8%	29,889,113	6.0%
1,000,001–10,000,000	45	11.7%	122,986,596	24.5%
10,000,001–20,000,000	5	1.3%	82,090,784	16.4%
20,000,001 and over	1	0.3%	261,788,257	52.3%
Totals	**384**	**100.0%**	**500,864,706**	**100.0%**

Just Retirement Group plc share price

Just Retirement's ordinary shares have a premium listing on the London Stock Exchange's main market for listed securities and 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 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 the FCA Consumer Helpline: 0800 111 6768.

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 10 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
Kate Avery	Independent Non-Executive Director
Michael Deakin	Independent Non-Executive Director
Steve Melcher	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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Nomura International plc
1 Angel Lane
London EC4R 3AB

Auditor

KPMG LLP
15 Canada Square
London E14 5GL

Corporate lawyers

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London EC1Y 4AG

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Glossary and definitions

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

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

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

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

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

Combined Group – following completion of the proposed Merger, JRP Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

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

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

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

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

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

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

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

Guaranteed Guidance – see Pensions Wise (below).

GIfL – Just Retirement modern individual segment solutions that provide customers with a guaranteed income for life. Previously reported as Individually Underwritten Annuities (IUA).

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

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

Pension Reforms – the UK Government's pension reforms, implemented in April 2015.

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

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

Retirement Income sales (in reference to Just Retirement Group sales or products) – collective term for GIfL, DB and Care Plan.

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

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

Simplified advice – regulated financial advice offering a limited service on a limited or specialist area of financial need, such as retirement, to retail customers taking into account information relevant to that need.

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

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

www.justretirementgroup.com

justretirement

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