

JUST.

RETHINK

RETIREMENT

Overview

We believe everyone deserves a fair, fulfilling and secure retirement

The financial results for the Group for the period to 31 December 2016 incorporate the merger of Just Retirement Group with Partnership Assurance Group accounted for as an acquisition. The results also include a change in accounting reference date from 30 June to 31 December. The financial statements therefore cover an 18 month period with Partnership's results included from April 2016. Comparative information for 2015 is for a 12 month period.

As a result, in the Strategic Report, the Directors have reported pro forma financial information as if the two businesses were merged from 1 January 2015 in order to better explain the operating and financial performance of the Group and eliminate distortions, as far as practicable, due to the merger and the longer period of account.

The KPIs, IFRS results, and financial performance, with Partnership accounted for as an acquisition and its results included from 1 April 2016, are set out from page 30 onwards.

A reconciliation between pro forma performance measures and KPIs is on page 29. Reconciliations between KPIs and IFRS results are in note 7 to the financial statements.

Subject to shareholder approval, JRP Group will be renamed Just Group.

Contents

Strategic Report

- 01 Pro forma financial and operational highlights
- 02 At a glance – how we create value
- 04 Chairman's Statement
- 06 Business model
- 10 Our market
- 18 Key resources and relationships
- 21 Strategic objectives
- 24 Chief Executive Officer's Operating Review
- 30 Key performance indicators
- 32 Financial Review
- 40 Corporate Social Responsibility Review
- 44 Principal risks and uncertainties

Governance

- 50 Board of Directors
- 54 Chairman's introduction to Governance
- 55 Corporate Governance Report 2016
- 60 Nomination Committee Report
- 61 Audit Committee Report
- 64 Risk and Compliance Committee Report
- 66 Directors' Remuneration Report
- 86 Directors' Report
- 91 Directors' Responsibilities

Financial Statements

- 94 Independent Auditor's report
- 100 Consolidated statement of comprehensive income
- 101 Consolidated statement of changes in equity
- 102 Consolidated statement of financial position
- 103 Consolidated statement of cash flows
- 104 Notes to the consolidated financial statements
- 148 Parent Company ("Company") statement of changes in equity
- 149 Company statement of financial position
- 150 Company statement of cash flows
- 151 Notes to the Company financial statements
- 154 European embedded value ("EEV") Independent Auditor's report
- 155 Statement of Directors' responsibilities in respect of the EEV basis supplementary financial statements
- 156 Reconciliation of IFRS shareholders' net equity to EEV
- 157 Statement of change in Group EEV
- 160 Notes to the EEV supplementary financial statements
- 167 Pro forma statement of change in Group EEV
- 168 Information for shareholders
- 170 Directors and advisers
- 171 Glossary and definitions



All JRP Group plc regulatory announcements, shareholder information and news releases can be found on our Group website, www.jrpgroup.com

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.

Overview

2016 highlights

Formed in 2016 by the merger of Just Retirement and Partnership Assurance, JRP Group is a specialist UK financial services group focussing on attractive segments of the UK retirement income market. The Group is a leading and established provider of retirement income products and services to individual and corporate clients

Pro forma financial and operational highlights

Adjusted operating profit ¹	Merger synergies	Dividend in respect of calendar year 2016
£164M 2015: £104m	£30M OF £45M Delivered and ahead of schedule	3.5P Growth of 6% on a calendar year basis
Solvency II capital coverage ratio (estimated)	Solvency II internal model	Economic capital coverage ratio
151%	APPROVED Just Retirement Limited is one of the few companies to achieve authorisation in the first wave	216% 185% at 30 June 2016
Group embedded value ²	Retirement Income sales ¹	Lifetime Mortgage advances
£2.0BN £1.8bn at 31 December 2015	£1.8BN 2015: £2.1bn	£559M 2015: £598m

IFRS financial highlights

IFRS profit before tax	IFRS net equity	Basic earnings per share
£199M £(30)m loss in 2015	£1.6BN 2015: £0.8bn	20.2P 2015: (5.0)p loss

1 The KPIs are set out on pages 30 and 31 and a reconciliation of pro forma measures to KPIs is on page 29.

2 The Group embedded value is reconciled to IFRS net assets on page 156.

At a glance

How we create value

The Group is an established provider of retirement income products and services to individual and corporate clients

1.

Who we serve



Individuals: Providing retirement income

People who have built up defined contribution (“DC”) pension savings throughout their career and want a guaranteed income, flexible income or a combination in retirement.

Market value of DC pension savings

> **£1 TRILLION**



Homeowners: Accessing property wealth

People aged 60+ who want to access wealth locked up in their property.

Property wealth owned by people aged over 50

£2.3 TRILLION



Corporate clients: Solving problems for companies

We develop scalable retirement-focussed solutions for banks, building societies, life assurance companies, pension scheme trustees, other corporate clients and for their customers, clients and members.

INTEGRATED RETIREMENT SERVICES



Trustees and scheme sponsors: Providing member security and de-risking pension liabilities

Defined benefit pension schemes de-risking their liabilities by securing member benefits with an insurance contract.

Addressable market

> **£600 BILLION**

2.

What we do



Marketed products

Defined Benefit De-risking Solutions (“DB”) ①

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.

Guaranteed Income for Life (“GifL”) ①

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

Flexible Pension Plan (“FPP”) +

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

Care Plans ①

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.

Protection ②

A solution for people wanting to support a residential mortgage, for business or inheritance tax planning purposes or simply to have financial peace of mind.

Lifetime Mortgages (“LTM”) ①

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

Competitive position:

① A leader + New entrant ② Developing



Professional services

A regulated financial advice service for people who want a personal recommendation on how to use their pension savings, or when considering releasing some of the value from their home.

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.

3. How we do it



Our strategy

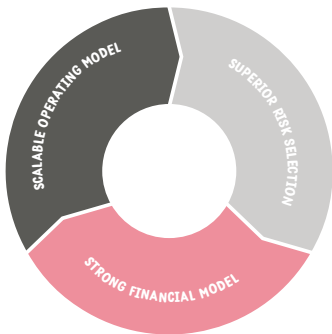
- 1 Grow our addressable markets and broaden our distribution reach;
- 2 Increase profitability through superior risk selection;
- 3 Ensure expenses are aligned with the capital model;
- 4 Improve cost and efficiency of capital; and
- 5 Reduce dependency on any single business line or market.



Strategic enablers

- A Developing and engaging our people;
- B Establishing and strengthening our brand;
- C Delivering a customer experience built on our customer understanding that delivers our brand promise;
- D Continuously evolving and enhancing our longevity intellectual property (“IP”) and customer insight; and
- E Building our digital capabilities.

4. Using our



Scalable operating model:	Superior risk selection:	Strong financial model:
Progressive multi-channel distribution	Unrivalled proprietary data	Capital efficient model
Automated underwriting	Experienced medical team	Investment management strategy
Leading service, brand and reputation	Next generation underwriting system: Prognosys™	Financial risk management
Flexible business and infrastructure		

5. Generating value for



Investors

By managing our resources effectively and creatively we create profits, which benefit shareholders through dividend payments and share value.

Dividends paid in 2016

£21M



Retail customers

We improve our customers’ lives by providing products and services that are simple to use and better value than our competitors’.

Number of customers at 31 December 2016

0.5M



Business customers

We deliver effective solutions to solve the challenges and capture the opportunities of our corporate customers and their clients.



Colleagues

Developing, recognising and rewarding our colleagues secures a skilled and motivated workforce.

Staff numbers at 31 December 2016

1,045



Communities

When our business is profitable and sustainable, the communities where we operate benefit through job creation and tax payments to national and local governments.

Corporation tax paid in 2016

£36M



Suppliers

As we create value, we help other businesses succeed and support job creation beyond our business.

Payments made to suppliers in 2016

£84M

Strategic Report

Chairman's Statement

Chris Gibson-Smith
Chairman



A sustainable business model, focussed on delivering growing profits in growing markets

I am pleased to introduce the JRP Group 2016 Annual Report, our first report since the merger of Just Retirement and Partnership Assurance completed. In 2016 the Group has adapted its business model to the new Solvency II capital requirements and demonstrated its potential to grow profits. The Group is now the leading specialist provider of retirement income products and services to both individuals and corporates, and a major provider of lifetime mortgages.

Our customers are the focus of everything that we do and investing in our resources enables us to provide products and services to help them achieve a fair, fulfilling and secure retirement.

It has been an eventful few years for our Group and its predecessor companies. We have completed two Initial Public Offerings, successfully navigated Pension Freedoms, diversified into new products, markets and, of course, completed the merger. We have addressed those challenges well and are building an exciting future.

2016 was a year that demonstrated our products are well placed in attractive growth markets. Momentum has been maintained in both the DB de-risking and lifetime mortgage markets, despite the uncertainty of Brexit, and, importantly, we have seen a promising return of demand in the market for individual guaranteed income for life solutions.

These attractive markets combined with our stronger medical intellectual property, expanding distribution franchise and sustainable capital model make the Group an adaptive, innovative company with a strong business model in growing markets.

The merger of Just Retirement and Partnership Assurance has proved to be an excellent transaction. We are delivering synergies ahead of schedule and have increased our cost savings target.

Pro forma operating performance

The Group focusses on growing operating profits rather than sales volume, which has resulted in our new business operating profit increasing to £124m (2015: £68m) and adjusted operating profit to £164m (2015: £104m).

Embedded value and capital

Group embedded value grew to £2,047m (31 December 2015 pro forma: £1,773m) and we have maintained a sound Group economic capital coverage ratio of 216% (30 June 2016: 185%).

Our capital management approach has been adapted to the new regulatory environment and our estimated Solvency II capital coverage ratio at 31 December 2016 is 151%. Our principal insurance company was one of just 19 companies to receive Prudential Regulation Authority internal model approval before the end of 2015.

Our business has achieved strong growth in profits and the Board remains comfortable with our capital position and sustainable business model.

Dividend

I am particularly pleased that the Board has proposed a final dividend of 2.4p per share, making the total dividend for the year 3.5p. This represents growth of 6% over calendar year 2015, and the Board believes it to be an appropriate and prudent payment at this time.

Board and governance

Following completion of the merger, I have the pleasure of introducing a new Board to the shareholders. We introduce all the new members in full on pages 50 to 53 of this report and describe how we work on pages 54 to 65.

In summary, I take great pride in leading the Board and the Group's governance function, and I am pleased to introduce the Chairmen of our Board committees:

Keith Nicholson is Senior Independent Director and is Chairman of the Risk and Compliance Committee.

Paul Bishop is Chairman of the Audit Committee.

Ian Cormack is Chairman of the Remuneration Committee.

Michael Deakin is Chairman of the Investment Committee.

I would like to offer special thanks to all of our departing Board members from our predecessor companies for their hard work over the years, not least during a demanding but successful merger process.

Our colleagues

The Board and I would like to show our gratitude to all our current and former colleagues across the Group who have contributed so much to the success of our two predecessor companies. We are proud of the quality of our service and the products we provide to our customers; it is a testament to all our colleagues that we have again been awarded the Financial Adviser 5 Star service award for the Life & Pensions and Mortgage categories.

We would also like to thank them for maintaining their focus on delivering outstanding service during a very demanding and successful integration.

Our communities

Both Just Retirement and Partnership had strong relationships with the communities they operated in and I am pleased to say our new Group continued this important work during 2016.

We participated in an engagement programme to support pupils in primary and secondary schools based in Redhill, Reigate and Tower Hamlets, London.

We continue to support our colleagues' fundraising and make charitable donations to organisations important to our staff and customers. These include: Alzheimer's Research UK; Dementia UK; Meningitis Now; St Catherine's Hospice; a charity local to the Surrey offices; and the Northern Ireland Hospice.

New brand

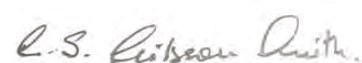
At the beginning of 2017 we introduced a new retail brand, Just, and the Board is proposing that the name of the Group be changed from JRP Group plc to Just Group plc.

Future prospects

Our Group CEO, Rodney Cook, and members of his executive team presented the Group's strategy at a Capital Markets Day in October 2016. Our strategic focus is to grow our addressable markets, select the higher value risks and use our capital wisely to generate value for our shareholders and enable us to deliver market-leading services for customers. I am confident we will deliver our stated cost and growth synergies as we finalise integration and capture the benefits of this excellent merger.

Our strong and experienced management team, which has repeatedly overcome challenges presented to the business, will deliver that strategy with the support and commitment of our extremely able colleagues.

Finally I would like to thank our suppliers and business partners; we look forward to continuing to work with you in 2017 to deliver the best service and outcomes for our customers.



Chris Gibson-Smith
Chairman

Adjusted operating profit

£164M

2015: £104m, up 58%

Dividend in respect of calendar year 2016

3.5P

Up 6% on a calendar year basis

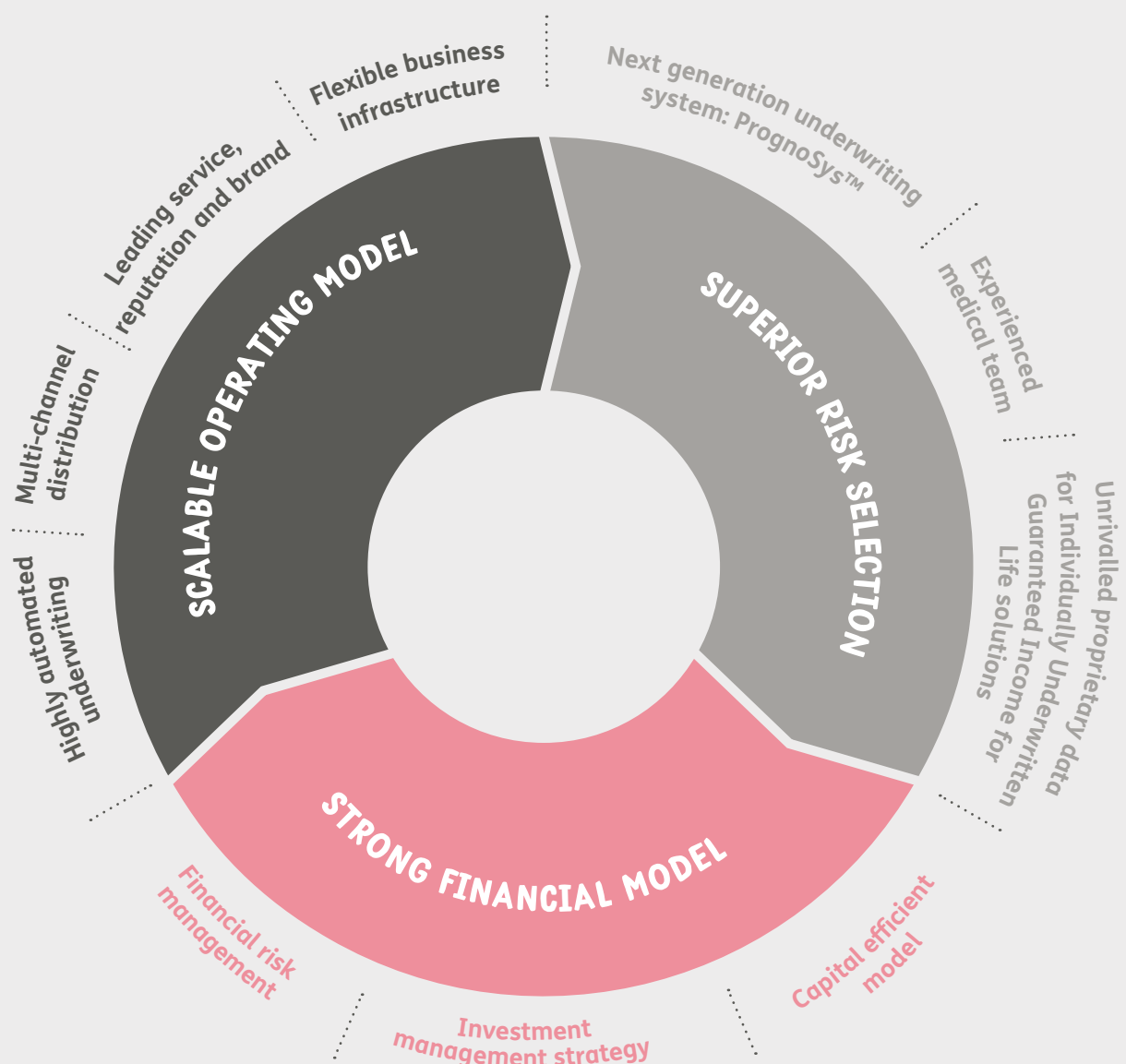
Strategic Report

Business model



Our customers are the focus of everything that we do and investing in our resources enables us to provide products and services to help them achieve a fair, fulfilling and secure retirement

Our business model is strong and differentiated and is constructed to enable us to increase our access to customers, select profitable risks and use capital efficiently.



SCALABLE OPERATING MODEL

Our scalable operating model is focussed on growing our addressable market by increasing our access to customers and serving them profitably.

Multi-channel distribution

- Multi-channel approach encompassing both traditional and emerging channels.
- Strong relationships with financial intermediaries, partners and employee benefit consultants (“EBC”) to distribute our individual and corporate solutions.
- Our corporate business HUB Financial Solutions provides professional services to businesses and their customers.
- JRP’s market leadership in the retirement income markets positions us well in winning mandates to provide insurance companies with a range of insourced and outsourced services for their customers.

Highly automated underwriting

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

Flexible business infrastructure

- We have a flexible business model and can adapt to changing business requirements.
- This is demonstrated by our entry into several new markets in recent periods

through the launch of new products and a range of regulated retirement advice and guidance services.

Leading service, reputation and brand

- Our new retail brand, Just, will build on the strong heritage of our existing trusted brands, Just Retirement and Partnership.
- We have an established reputation for our strong social purpose and delivering market-leading service quality.
- We are recognised for our innovation and championing positive disruption resulting in better outcomes for individual consumers and pension scheme trustees.

SUPERIOR RISK SELECTION

Our Group is focussed on delivering profitable growth. We have superior capabilities to select the risks that help us focus on creating value for shareholders and delivering better outcomes for customers.

Next generation underwriting system: Prognosys™

- Since 2011 we have enhanced our intellectual property (“IP”) further by developing the Prognosys™ programme, our own specialist automated underwriting system.
- This is a powerful tool for pricing and reserving that allows the Group to identify and price for the risks we want and provide improved outcomes for customers.

Experienced medical team and underwriters

- A strong in-house medical team of epidemiologists, doctors and bio-statistical modellers has enabled us to develop superior 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.
- Our experienced underwriters enable us to apply our proprietary IP in our pricing and reserving.

Unrivalled proprietary data

- Our extensive database means we understand the likely impact of medical and lifestyle information on life expectancy.
- Over 20 combined years of collecting, storing and synthesising detailed customer lifestyle and medical data gives us a significant competitive advantage.

STRONG FINANCIAL MODEL

The Group creates value by taking on those risks which we believe can be fairly rewarded.

Capital efficient model

- Our synergistic suite of products results in an efficient and balanced use of capital.
- The Solvency II regime came into effect on 1 January 2016 and Just Retirement Limited (“JRL”) was one of a small number of insurance companies to receive approval from the Prudential Regulation Authority (“PRA”) to use our own internally developed solvency model. The internal model enables us to calculate our capital requirements more accurately than a standard model and approval is only granted to companies who have met the PRA’s high standards.

Financial risk management

- Our operating model is complemented by a conservative approach to risk management.
- We have strong experience of delivering accurate longevity estimates coupled with prudent reserving.
- The majority of longevity risk for both DB and GifL business is held by high quality, international reinsurers.

Investment management strategy

- Our investment policy enables us to provide attractive returns to customers and to optimise risk-adjusted returns for shareholders, while ensuring that cash flows from assets under management are

sufficient to meet payment obligations to our GifL and DB portfolios.

- We follow an enhanced buy-and-maintain plus investment strategy whereby we purchase assets with attractive risk-reward characteristics and hold them to maturity to capture the full risk premium, particularly the illiquidity premium. We replace existing held-to-maturity assets with more attractive held-to-maturity assets where this makes sense, taking into account frictional costs.
- The majority of our financial asset portfolio is held in investment grade, fixed income securities, such as government and corporate bonds. The Group also invests in lifetime mortgages, private placements, commercial property mortgages and infrastructure loans.

Strategic Report

Business model continued

Scalable operating model

Our scalable operating model is focussed on growing our addressable market by increasing our access to customers and serving them profitably.

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.

The Group has demonstrated its ability to build strong relationships with intermediaries and partners, evidenced by our proud record of Financial Adviser 5 Star service awards. To date, the Group has been awarded 21 Financial Adviser 5 star awards with 12 consecutive awards in the Life and Pensions category and nine consecutive awards in the Mortgage lenders category.

Our progressive multi-channel distribution strategy is underpinned by strong brands and award-winning service. Our corporate business, HUB Financial Solutions (“HUB”) is a strong contributor to the Group growing in prevalence in an evolving market-place. HUB provides professional services to businesses such as insurance companies, banks and building societies and actively seeks to support these businesses introduce a wider range of products to their customers. It provides financial advice, guidance and information services to the customers of these businesses and members of pension schemes who are not served by financial intermediaries.

Our 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, allowing a majority of customers to receive real-time guaranteed prices.

During the integration process we have taken advantage of our flexible business infrastructure by selecting the best systems from the heritage businesses for our IT and service environment while benefiting from achieving cost synergies and gaining access to new talent. The Directors believe that the Group’s integrated IT system and ability to deliver bespoke systems is a distinct advantage, helping to deliver superior service, industry-leading turnaround times and over 99% quote accuracy.

Our Group has trusted brands, market-leading products, outstanding service quality and a strong social purpose. We are recognised as a market leader, for innovation and for championing positive market disruption resulting in better outcomes for customers. We 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.

Superior risk selection

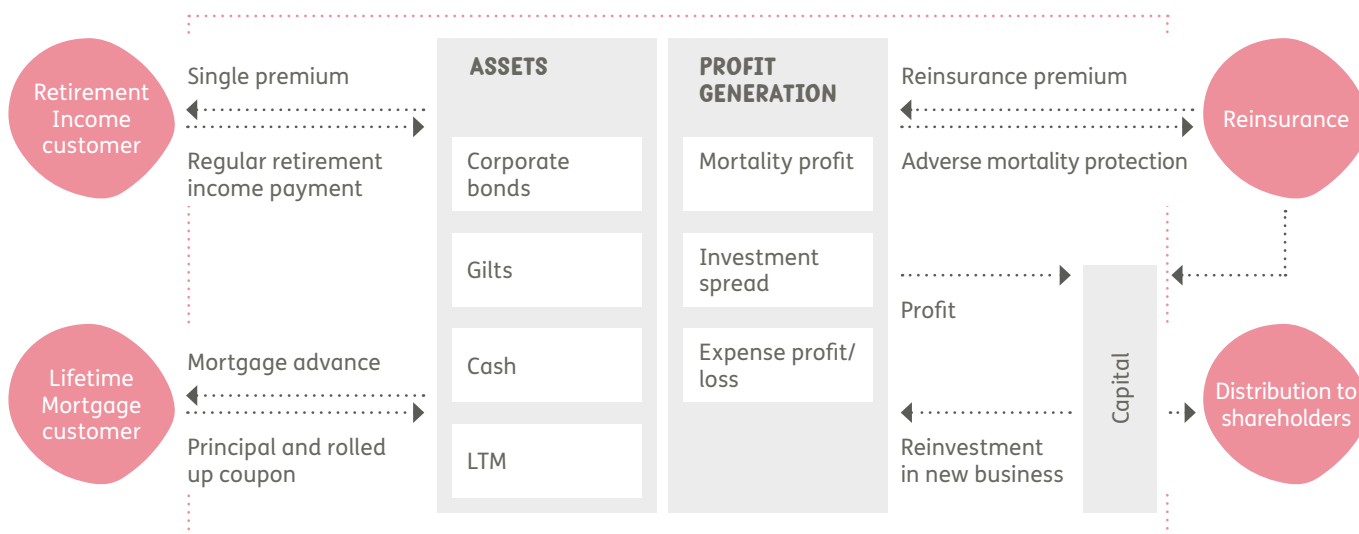
Our Group is focussed on delivering profitable growth. We have superior capabilities to select the risks that help us focus on creating value for shareholders and delivering better outcomes for customers.

Extensive experience in individual underwriting based on medical conditions and lifestyle factors, built up through over two million person-years of experience, is at the heart of the business model of the JRP Group. Individual underwriting enables risks to be selected with greater precision and priced more accurately in both the wholesale DB de-risking and individual retail markets. We expect, in a short period of time, all companies offering GIfL solutions to customers will utilise individual underwriting to ensure they meet higher regulatory standards to provide their customers with access to the most attractive products from across the market.

The merger has resulted in a Group with extensive mortality datasets and underwriting expertise. The merged JRP Group is currently integrating the intellectual property and medical underwriting expertise of the two predecessor companies. The key features of our medical and mortality data can be summarised as follows:

- The dataset is proprietary in nature and securely held within the Group. Only a very limited number of individuals in the research and development team have access to the full dataset. In particular, there is a strict separation of duties and information access between the underwriting and pricing teams. In circumstances where the Group is obliged to disclose certain underwriting information to its reinsurance partners, such disclosure is limited;
- it has been accumulated over 20 years, which adds to the statistical significance and narrows the range of underwriting estimates; and
- it can be updated on an accelerated basis. The medical conditions and lifestyle risk factors of the individuals purchasing the products on average shorten the duration between policy provision and a customer’s death, and result in higher levels of mortality experience for the Group compared to insurance companies offering a significant proportion of their products to those customers with a longer life expectancy.

SUMMARY OF THE GROUP'S BUSINESS MODEL



Strong financial model

The Group creates value by taking on those risks for which we believe we can be fairly rewarded. We create this value by:

- Accepting the uncertainty of future life expectancy from customers and pension schemes exhibiting certain medical conditions and lifestyle characteristics;
- investing in fixed income and inflation-linked instruments; and
- providing liquidity to homeowners who wish to access equity in their residential properties.

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

- Using financial intermediaries and our HUB business to distribute GifL solutions to retail customers, and Employee Benefit Consultants to distribute our DB solutions to wholesale clients, both are seeking guaranteed income;
- investing the premiums we receive in corporate bonds, gilts and cash to match our liabilities; and
- sourcing LTM via financial intermediaries and our HUB business, and by providing the mortgage loans to support other equity release providers.

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

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 Retirement Income portfolio. Our LTM product is a key component of our capital-efficient business model. LTM provide a partial longevity hedge against Retirement Income customers' longevity risk, and an attractive risk-adjusted yield. Together these factors significantly reduce the capital required for DB and GifL products at the point of sale.

The majority of the Group's financial asset portfolio is 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 regard 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 ratio of the LTM portfolio is 28% at 31 December 2016.

We have a conservative approach to risk management, with reinsurers taking the majority of longevity risk under our qualifying new business. This results in a lower regulatory capital requirement and supports our growth profile, while enhancing returns through the retention of investment risk.

The Group is primarily managed on an economic capital basis, and the economic capital coverage ratio is 216% at 31 December 2016. We also ensure that we hold sufficient capital to meet our risk appetite in relation to regulatory capital requirements.

At a glance

Leader in our markets



We positively disrupt markets where we can become a leader, deliver great outcomes for customers and high-quality returns for shareholders

We are a specialist in our chosen markets serving four distinct groups...



Individuals:
Providing retirement income

People who have built up defined contribution pension savings throughout their career and want a guaranteed income, flexible income or a combination in retirement.

Market value of DC pension savings

> £1 TRILLION



Homeowners:
Accessing property wealth

People aged 60+ who want to access wealth locked up in their property.

Property wealth owned by people aged over 50

£2.3 TRILLION



Corporate clients:
Solving problems for companies

We develop scalable retirement-focussed solutions for banks, building societies, life assurance companies, pension scheme trustees, other corporate clients and for their customers, clients and members.

INTEGRATED RETIREMENT SERVICES



Trustees and scheme sponsors:
Providing member security and de-risking pension liabilities

Defined Benefit pension schemes de-risking their liabilities by securing member benefits with an insurance contract.

Addressable market

> £600 BILLION

... with products and services

Competitive position: 1 A leader + New entrant ↗ Developing



Marketed products

Services¹

Benefit & competitive position

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.

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

1

Guaranteed Income for Life (“GifL”)

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

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

1

Flexible Pension Plan (“FPP”)

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

Just'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.

+

Care Plans

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.

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

1

Protection

A solution for people wanting to support a residential mortgage, for business or inheritance tax planning purposes or simply to have financial peace of mind.

Just's innovative approach to use individual medical underwriting means we can provide cover for some of those people with medical conditions who may previously have been considered uninsurable.

↗

Lifetime Mortgages (“LTM”)

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

Just currently provides a range of lifetime mortgages enabling people meet a variety of needs in later life.

1

¹ Reported in our Insurance segment.



Professional services

Services²

Benefit and competitive position

HUB Financial Solutions (“HUB”)

A regulated financial advice service for people who want a personal recommendation on how to use their pension savings, or when considering releasing some of the value from their home.

HUB has developed an innovative approach that is enabling people with modest pension savings to access an affordable regulated advice service. HUB also delivers face-to-face nationwide advice at a time and place to suit the client.

1

+

+

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.

Provides 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.

1

² Reported in our Other segment. See page 42 to learn more about HUB Financial Solutions.

Strategic Report

Market context



Changes in consumer expectations, regulatory intervention and competitive landscape are driving growth in our key markets

UK markets

Defined benefit de-risking solutions

Introduction

Defined benefit pension schemes have an obligation to pay a pre-determined monthly retirement income based on an employee's earnings history, tenure of employment and age. These schemes are typically only available in the public sector or older workplace pensions schemes. Operating these schemes has become unattractive and more costly for employers over the last decade and this has created an opportunity for guaranteed income providers to de-risk, fully or partially, an employer's existing defined benefit obligations to its members.

Defined benefit de-risking can occur via a Buy-in, whereby a pension scheme pays a single premium to an insurance company to purchase an income stream that matches its obligations to its members, but retains legal responsibility for those obligations. An alternative is a Buy-out, whereby a pension scheme removes its obligations by purchasing individual insurance policies to replicate its obligations to some or all of its pension scheme members, who then become customers of the de-risking provider.

The solutions for de-risking can be medically underwritten, whereby insurers use individual members' medical and lifestyle information to assess members' longevity as opposed to only relying on proxies such as the members age, pension amount and possibly postcode. Medically underwritten pricing is typically over 5% better value than traditional non-medically underwritten pricing (source: Hymans Robertson).



“Top-slicing” of large pension schemes means the benefits of medical underwriting are even more pronounced

Defined benefit pension schemes with fewer members offer the greatest opportunity for medical underwriting to deliver benefits. This occurs if there are a small number of scheme members, with a high proportion of the schemes' liabilities that are assessed by using medical underwriting to have life expectancies below average. Medical underwriting has become increasingly prevalent in the defined benefit de-risking market and its benefits are well understood.

Total market Buy-in transactions

£350bn

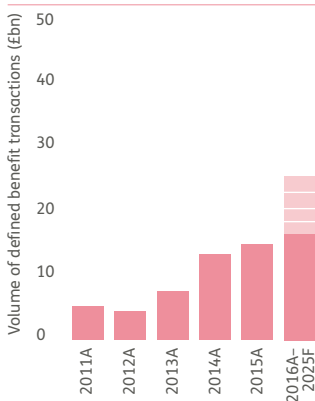
Forecast in next decade

The open market accounts for

45%

of the total GifL market in 2016

Expected growth in DB de-risking transactions



Source: LCP, Aon Hewitt, Hymans Robertson and RBC analysis

“Top-slicing” involves targeting the pensioners with the largest benefit entitlements for medical underwriting, whether that is the 20 largest pensioner liabilities in a scheme of £50m or the 100 largest pensioner liabilities in a scheme of £2bn. Traditional insurers’ approaches to pricing these members tend to be expensive as they don’t utilise medical and lifestyle data. As a result, they may include an implicit safety margin of prudence in their pricing (which could then be released as extra profit for the insurer in future). We don’t need to apply this additional charge, which means that medical underwriting can unlock more value for the pension scheme. Top-slicing is now a common practice in the medically underwritten Buy-in segment of the market.

Current market and outlook

Sales of defined benefit de-risking solutions were unaffected by the announcement of Pension Freedoms in Budget 2014 and continue to show significant long-term growth. There is approximately £2tn in defined benefit pension scheme obligations (source: PPF), which is driving high demand for de-risking solutions, with Buy-in transactions forecast over the next decade to be approximately £350bn (source: Hymans Robertson). While insurer capacity will increase in the long term, over the

medium term we believe the demand for de-risking solutions exceeds the current supply available from providers. The defined benefit de-risking market is projected to grow further over the next decade with transactions expected to double to over £30bn per year. This level of activity results in only 2% of total defined benefit pension assets each year being de-risked, providing significant headroom for future growth. The total volume of de-risking transactions in 2016 was £8.5bn (source: LCP).

Following the result of the UK EU Referendum, the increased financial market volatility and uncertainty over the terms of the UK’s exit from the EU led to an immediate £120bn rise in the shortfall of assets held by defined benefit pension schemes to meet their obligations (source: Hymans Robertson). This has resulted in increasing demand for de-risking solutions as a high number of DB pension trustees seek to secure their ability to fulfil future payments to their members.

The capacity of companies to deliver de-risking solutions is constrained. Defined benefit pension schemes are competing for the same resources as a number of life insurance companies who have explored, or are exploring selling their large books of guaranteed income for life business.

Strategic Report

Market context continued

Individual retirement income market*Introduction*

Guaranteed Income for Life (“GifL”) products are bought by individual customers to convert some or all of their accumulated pension savings into a guaranteed lifetime retirement income. In the UK, GifL traditionally offered an income payable without reference to the individual’s health or lifestyle, and were differentiated only by reference to a limited number of factors such as age, postcode, premium size and, prior to 31 December 2012, gender. An individually underwritten GifL takes into account an individual’s medical conditions and lifestyle factors to determine the applicant’s life expectancy.



People who are eligible and purchase an individually underwritten GifL typically achieve increases in income of around 25% compared to purchasing a GifL which is not individually underwritten

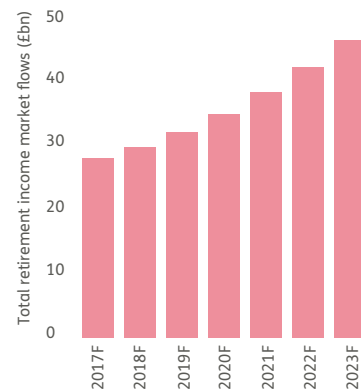
The proportion of people purchasing a GifL having been individually underwritten is continuing to increase and our view is this will become the minimum standard for all providers over the next few years.

Current market and outlook

Total market sales of GifL stabilised towards the end of 2015 following the introduction of Pension Freedom and Choice in April 2015. Although freedoms have altered the traditional retirement pattern, research from the Financial Conduct Authority (“FCA”) shows that consumers continue to value the security provided by a GifL. This is reflected in the approximate 1% increase in total GifL sales to £4.3bn in 2016 compared to the same period in 2015 (source: ABI).

Pension customers are encouraged to compare the GifL offer provided by their existing pension company to those offered on what is called the open or external market. We compete in the open market when these customers choose to shop around; this is our addressable market as we do not have an existing base of pension savings customers. The open market increased to approximately 45% of the total GifL market in 2016 (source: ABI). Continuing developments in this market are driving growth in our addressable share:

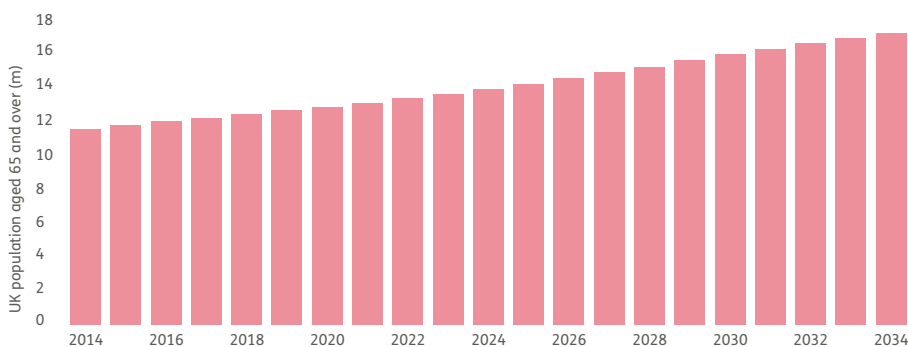
- In 2014, the Financial Conduct Authority found that 80% of consumers who purchased a GifL from their existing provider could have obtained a better deal on the open market. The regulatory body has subsequently proposed amendments in its rules, which would require pension providers from September 2017 to inform customers of how much additional income they could gain from choosing to purchase from the best value option in the market.

Retirement income market - £20bn to £46bn

Source: Spence Johnson analysis

- The introduction of Solvency II has meant that insurance companies providing Retirement Income products are now required to make provisions for different amounts of capital to account for the various risks inherent in this type of product. This has led to many providers reviewing their capability to manufacture these products and provide good value to customers. Several insurers have decided to cease manufacturing their own products, realigning their focus towards “capital- light” products, and offer GifL products to their customers sourced from the external market.
- The open market is becoming increasingly individually underwritten, whereby consumers with medical conditions or lifestyle factors could achieve a higher guaranteed income than a standard product. Individually underwritten GifL sales represented approximately 59% of the open market in 2016 compared to 68% for the same period in 2015. Several pension providers, who dominated the standard GifL market, have withdrawn or indicated their intention to cease manufacturing their own products, leading to an expectation that the open market will increase substantially.
- As the retirement income market continues to adjust to the Pension Reforms, sales of pension drawdown products have continued to be high. The Association of British Insurers reported that drawdown sales nearly doubled in 2015 to £5bn from £2.6bn in 2014 as the Pension Freedoms opened up this market to smaller pension pots. This trend has continued in H1 2016 with drawdown sales reaching £3.2bn.

Increasing numbers approaching retirement



Source: ONS



Latest HMRC statistics on the distribution of wealth show that property represents approximately 54% of the wealth of those aged 65 and over (source: HMRC). Given the need for retirees to supplement low rates of saving or inadequate retirement income, property is expected to represent an increasingly important means of funding retirement

Ahead of the introduction of Pension Freedom and Choice, we identified the increased demand for innovative and flexible retirement income products and developed the new Flexible Pension Plan, offering customers access to the government's new Flexi-Access Drawdown regime. We offer this product through our HUB business to the customer bases of our corporate partners.

- The majority of middle-Britain customers do not have a relationship with a professional financial adviser. The introduction of Pension Freedoms provides customers with a greater number of options and results in people's decisions becoming more complex. To support customers in their decision making, we offer a retirement-focussed, regulated retirement advice and guidance service through our HUB business to the middle-Britain customer bases of our corporate partners.
- While the traditional pattern of how and when people access their pension benefits is changing, the underlying structural drivers of growth in the individual retirement income market remain strong due to the large number of people reaching retirement age every year.
- The number of people aged 65 and over is forecast to increase from approximately 11.4m in 2015 to over 13.7m by 2024, and over 16.9m in 2034 – as illustrated by the chart above. This trend is underpinned by the baby boomer generation reaching age 65 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 financial solutions in later life.

- The assets held by those in later life are increasing. People aged 65 and over represent 17.5% of the population but 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, many of these customers typically need financial products that convert their assets into income. We expect that the assets held by people entering retirement will continue to increase rapidly. Market intelligence firm Spence Johnson forecast the at-retirement assets market will reach approximately £671bn in 2023 from £356bn in 2013.
- In the long term we believe the Pension Reforms will result in an increase in the overall size and depth of the individual retirement income market.

Lifetime Mortgages*Introduction*

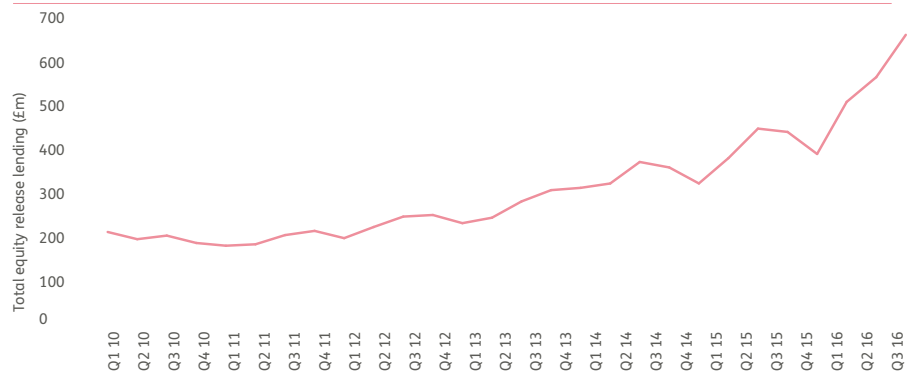
A lifetime mortgage ("LTM") allows homeowners to borrow money secured against the equity in their home without the need to vacate their property. The amount borrowed is repayable together with accrued interest on the death of the homeowner or on vacation of the property due to a permanent move into residential care. This product can be used by retirees to supplement savings, top up retirement income or to settle any outstanding indebtedness.

In the UK, LTM comprises a range of products designed for individuals at- or in-retirement who wish to realise some of the equity value in their home.

Strategic Report

Market context continued

Growth of equity release market 2010–2016 by quarter (calendar year)



Source: Equity Release Council

Current market and outlook

We believe that this market remains significantly underpenetrated, given that homeowners aged over 50 are estimated to own property wealth of £2.3 trillion (source: Key Retirement), while only approximately £16.7bn LTM advances have been made in total from 2002 to September 2016, representing a penetration rate of less than 5% (source: ERC and internal analysis). Structural drivers support continued long-term growth in this market.

In particular:

- People are living longer, but for most people, these extra years are spent living with some disability. In the UK, those aged 65 are currently expected to spend only approximately half of their remaining years in very good or good health (source: ONS). Many homeowners are relying on releasing home equity to meet their additional care costs.
- Consumers are also increasingly using LTM to settle outstanding indebtedness. Approximately 1.3m interest-only mortgages valued at £111bn will fall due for repayment between 2012 and 2020. Older borrowers are more likely to have an interest-only mortgage, as these constituted the majority of mortgages sold during the 1980s and early 1990s. However, amongst those aged over 55 with an interest-only mortgage, just under half are expected to have a significant repayment shortfall (source: previously Financial Services Authority).

- Insufficient savings and underestimations of life expectancy are leading to significant shortfalls between consumers' actual and expected private pension incomes. Almost a third of adults plan to supplement their retirement income using an LTM product (source: Equity Release Council).

Long-term care solutions*Introduction*

Care Plans or immediate needs annuities ("INA") are a segment of purchased life annuities and have not been affected by the Pension Reforms. A Care Plan offers a guaranteed fixed income paid directly to a registered care provider or an individual for the life of the insured, in exchange for an up-front lump sum premium. Under current rules this income is tax free so long as the income is paid directly to the registered care provider. Care Plans are available to individuals entering care facilities or receiving domiciliary support. As such, Care Plans provide a form of longevity insurance to the individual against the costs of receiving care until their death.

Current market and outlook

There is a substantial market for care in the UK. The drivers of the need for care are strong because:

- Demographic, medical and social factors are all set to drive the need for privately funded long-term care in the UK. The need for residential care is estimated to grow by 3% p.a. until 2031 and the INA remains the only established product specifically designed to help customers fund the cost of long-term care;

Just have been leaders for

15 years

In UK long-term care

US care market

\$45bn

Self-funded care annually

- there are currently around 1.6m people aged 85 or over in the UK – this is the average age at which people go into care homes. It is expected that this number will more than double over the next two decades;
- around 33% of women aged 65 and 20% of men aged 65 are likely to enter a care home at some point in the future;
- post implementation of the Care Act 2014, local authorities are now required to provide information and support to individuals on how to fund social care, and signpost how their residents can access professional financial advice. This is expected to increase awareness amongst the population of their personal accountability to finance their own social care and drive increased demand for advice and product solutions; and
- the INA market has seen significant growth in recent years. Our Group has a strong pedigree in the market, having been one of the market leaders for 15 years.

International markets

South African retirement income market

- South Africa has one of the five largest immediate guaranteed income for life markets in the world, with many structural similarities to the UK including legislative frameworks, products and distribution. Limited State social security, tax incentives for private retirement provision and an increased compulsion to purchase a guaranteed income for life or drawdown solution are resulting in a retirement market expected to grow significantly over the coming years.
- The market is dominated by defined contribution arrangements. The market that could annuitise includes approximately £3bn at-retirement (of which 90% of at-retirement sales are currently drawdown) and £16bn in-retirement currently using drawdown.
- Prudential regulation is moving from the current regulatory basis to Solvency Assessment and Management (“SAM”) on 1 July 2017; SAM is equivalent to the UK Solvency II regime. Additionally, the government-led reform to retirement legislation is under consultation, aiming to make trustees of all retirement funds responsible for providing default solutions at retirement, with retirement benefit counselling provided by each pension scheme to provide information on default options at retirement.

US care market

- The US represents an opportunity for our Group to offer its products in this significant new market. Within the care segment, the US has a similar backdrop to the UK with a government-funded safety net but significant volumes of self-funders.
- Total annual spending is estimated at \$145bn of which \$45bn is self-funded. There is widespread acceptance of the need to self-fund, with many wishing to avoid State dependency.
- There are very limited underwritten guaranteed income for life options available to consumers in the US market.
- The target market for our Group’s products are US residents in later life receiving, or about to receive, long-term domiciliary or residential care and able to afford a single premium.
- Our local partner, Genworth, formally launched the product in early 2016 with a controlled introduction and support to distributors and intermediaries.

Strategic Report

Key resources and relationships



Our progressive retail distribution strategy is underpinned by our strong brand, outstanding support and service and depth of relationships with a diverse range of corporate partners and financial intermediaries

Customers

Our predecessor companies have always identified and responded to the needs of our customers and we are committed to ensuring that our business remains customer-focussed. Consumer research programmes provide the Group with vital insights into our performance and the strength of our service delivery. Our cultural philosophy is that customers are at the heart of our business and we focus on ensuring we provide a service to our customers that feels effortless and provides them with what they need, both in practical and emotional terms. This has been evidenced through research conducted by ORC that showed 96% of our customers were satisfied or very satisfied that we were easy to understand when they spoke with us, and 93% said we treated them like a valued customer. We also have a very low risk appetite for breaches of our Treating Customers Fairly (“TCF”) policy.

Distribution partners

Our DB sales are made via EBCs who advise the pension schemes’ trustees on the structuring of defined benefit pension schemes, and we have developed strong relationships in this area. We distribute our individual retail products through a number of channels, including general and specialist financial intermediaries and emerging channels accessed via our HUB business such as life insurance companies, banks, building societies, pension schemes and affinity partners. Our consistent record in achieving the highest accolades in industry service awards demonstrates the strength and quality of our relationships with those to whom we provide services.

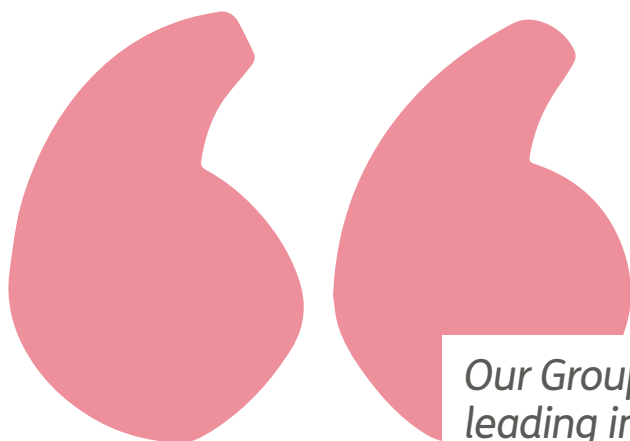
In 2016 we have continued to develop new corporate partnerships to broaden our distribution reach and to support our corporate partners develop improved outcomes for their at- and in-retirement customers. Through our HUB business we have achieved success, winning mandates to deliver services to other life insurance companies to provide regulated advice, and guidance services together with access to Just’s products and those sourced from the external market.

Reinsurers

These include the Group’s key relationships with Hannover Ruck SE, RGA Global Reinsurance Company Ltd, Pacific Life Re Ltd, RGA International Reinsurance Company DAC and SCOR Life Global Life (UK Branch).

In addition to these, the Group maintains strong working relationships with other high quality partners, including Achmea Reinsurance Company N.V., General Reinsurance AG (London branch), Hannover Life Reassurance Bermuda Ltd, Nomura Reinsurance 5IC Ltd, Pacific Life Re Ltd and Partner Reinsurance Company Ltd. Post-merger, the relationship with SCOR has recently been further strengthened in respect of new GIFL business and the relationship with RGA has been further strengthened in respect of new DB business.

This diverse group of counterparties ensures we have strong risk mitigation and facilitates competitive pricing.



Our Group works with a wide range of leading international reinsurance firms

Government

We believe that an important part of our role in the retirement income market is to engage positively with government and regulators to encourage effective competition and consumer protection that results in achieving better customer outcomes. We engage with ministers, government officials, regulators and other policy makers directly and through trade bodies. As a leader in the markets we serve, we are well placed to share our customer and market insights.

Suppliers

The Group generally manages its own customer-facing systems and processes, and uses professional partners to provide specialist services. This continues to allow us to flex and adapt our services to meet evolving customer demands.

However, the Group outsources certain operational and administrative functions where appropriate. This includes the administration of customers' regular pension payments for our DB business, some sections of our Guaranteed Income for Life business and some lifetime mortgage books acquired from our heritage Partnership business. The relationships with the suppliers of these services are managed through dedicated teams.

Our colleagues

Our approach to colleagues focusses on staff engagement, well-being, personal development and commitment to the highest level of performance, with a particular focus on reviewing our corporate working policies to enhance our colleagues' daily working lives.

Development

Developing our colleagues is central to our overall business strategy and this commitment to our colleagues is set out in our Learning and Development Policy. Our development activities focus on the organisational initiatives that have the biggest impact for customers, colleagues and the business.

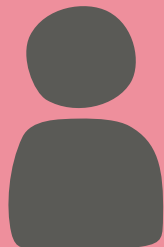
Diversity

We are committed to valuing diversity and promoting equality of opportunity for our Group colleagues. We ensure that they are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. We aim to create and promote a safe and healthy environment where diversity is valued and colleagues have a sense of well-being. We will not tolerate discrimination on any grounds, whether it be age, disability, sex, gender re-assignment, pregnancy, maternity, race, sexual orientation, religion or belief, or marital/civil partnership.

Benefits

We value the contribution our colleagues make to the business, so in return we offer a wide range of policies and benefits designed to attract, develop and retain the best and most talented individuals.

Strategic Report
Individuals



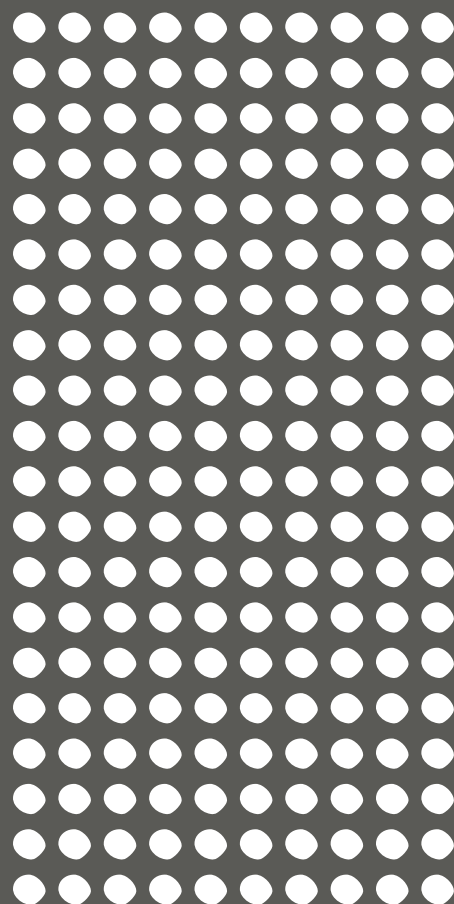
INDIVIDUALS

PROVIDING RETIREMENT INCOME

People who have built up defined contribution pension savings throughout their career and want a guaranteed income, flexible income or a combination in retirement

Market value of DC pension savings

> £1 TRILLION



Strategic report

Strategic objectives

Deliver growth in profits by increasing our access to customers, choosing the best risks and managing our capital diligently

Introduction

Following the merger of Just Retirement and Partnership Assurance, we have reviewed and reset our strategic objectives in line with the ambitions of the new Group. Both predecessor companies held a strong history in innovation and were champions of positively disrupting markets to improve customer outcomes and these values continue to underpin our future strategy.

We will use our unrivalled combined intellectual property (“IP”) to deliver better customer outcomes in all of our markets, supported by selective diversification, to generate high-quality returns for shareholders. We will adopt a measured approach to our growth and the development of our business, focussing first on delivering the promised benefits of the merger and laying the foundations, through our strategic enablers, for our next evolution. Our execution of this strategy will evidence that we are a profitable company with a sustainable business model and will strengthen our position in the market to achieve continued profitable growth.

WHAT WE ARE FOCUSSING ON

Our Group has three areas of strategic focus:

UK retail¹

(retirement income, lifetime mortgages, long-term care and protection)

In our UK retail business, we believe that a guaranteed income for life and access to professional advice continued to play an important part of everyone’s retirement planning, and we will be adapting and developing our individual retirement propositions and distribution capabilities to continue to support and help customers up to, at- and in-retirement.

UK Defined Benefit De-risking¹

In our UK DB De-risking business, we will continue to establish ourselves as the leading provider in the small to medium sector of the market, using our longevity IP and expertise to deliver better outcomes for trustees.

International¹

(US care and South Africa retirement income)

In our international businesses we will continue to build our presence and establish the Group’s UK award-winning service in these markets.

1 These are areas of strategic focus for the Group and not operating segments.

Strategic Report

Strategic objectives continued

Strategic objectives

Objective	Why this is important	How this will be achieved
<p>1 Grow our addressable markets and broaden our distribution reach</p> <p>Increasing our profitable sales through focussing on growing all our markets and broadening our distribution reach to increase access to customers</p>	<p>Using our resources to influence change and positively disrupt markets to grow our addressable share is key to the success in all our businesses.</p> <p>In our UK Retail business, we will support growth in the addressable GIFL, LTM and Care markets. We will expand our distribution reach through our HUB business to enable our life insurance and mortgage companies to increase access to, and select the risks we want to write from, the widest possible pool of customers approaching at- and in-retirement. We will maintain strong relationships with financial intermediaries and grow access to specialist mortgage intermediaries.</p> <p>Similarly, in our UK DB De-risking business, we will continue to drive growth in the medically underwritten DB de-risking market, enabling us to provide more options for pension scheme trustees and providing greater opportunity for the Group to access and underwrite in the DB market.</p>	<p>We will use our growing customer insight, brand, strong relationships with our distribution partners, regulators and policy makers to grow our addressable markets. We will continue to develop our propositions to win new mandates and better serve our partners across our target markets and distribution channels. This will enable us to offer more elements of the value chain to a broad range of partners, including life insurance companies, banks, workplace and retail partners as well as financial intermediaries and EBCs. We believe our product range and services, distribution capabilities and strategic enablers set us apart in our target markets and will enable us to access and serve a greater number of customers.</p>
<p>2 Increase profitability through superior risk selection</p> <p>Using our IP to identify high-value opportunities to deliver excellent outcomes for our customers and increase our profitability</p>	<p>The Group generates economic value through our diversified revenue streams, which enable us to grow our business and provide attractive returns on capital. By focussing on our strategic strengths, including our longevity IP, customer insight and distribution reach, we can identify and secure the highest value opportunities in the retirement income and retirement lending markets consistent with delivering excellent value for customers and generating high-quality returns for shareholders.</p>	<p>We will build on the combined strength of our longevity IP and its use in our selection and pricing of risks in our markets, and focus on development of our customer insight to augment that IP through greater understanding of the drivers of, and actual, customer behaviour. This will enable us to target specific customer segments with the desired risk profile. At the same time we will enhance our product offering to attract customers to the Group and to enable us to capture the desired risks across the market.</p>
<p>3 Ensure expenses are aligned with the capital model</p> <p>Efficiently managing our resources in line with our capital model to deliver sustainable growth in our business</p>	<p>We recognise that a priority for our business is to ensure that our growth potential is achievable and that we demonstrate our ability to sustain growth in profits by ensuring our expenses are aligned to our capital model and in line with our ambitions.</p>	<p>We will deliver the merger benefits communicated to the market and identify and challenge areas of the business where expenditure does not result in acceptable benefits, and manage our resource allocation effectively and in line with our longer-term priorities. We are investing in our digital and change capabilities to increase our capacity to deliver change within the Group.</p>
<p>4 Improve cost and efficiency of capital</p> <p>Using our financial and capital management framework to achieve capital self-sufficiency</p>	<p>We are focussed on achieving capital self-sufficiency that will enable us to continue to invest in growing our profits and rewarding our shareholders through closely managing the cost of our capital and ensuring we are effective and efficient in how we deploy it into the business to get the greatest return.</p> <p>Delivering a profitable business will ensure we are able to continue to invest to maintain our market leadership in delivering excellent value and outstanding service to our target customers.</p>	<p>We will focus on continuing to work with the regulator on developing our Solvency II internal model and matching adjustment for our life companies to ensure we achieve the optimum capital requirements for the Group. This approach will support the effective operation of our capital-efficient business model. We have a clear financial and capital management framework to achieve this across our entire Group.</p>

Objective	Why this is important	How this will be achieved
<p>5 Reduce dependency on any single business line or market</p> <p>Selectively diversifying our business into new, complementary markets to meet the evolving retirement needs of our customers and increase our capital efficiency</p>	<p>To enable us to provide excellent service to our customers in our UK and international businesses by providing a complementary set of services and products in line with market developments. As customers choose to access more of their assets to support their retirement planning, we will have the capabilities required to recruit these customers and gain access to new sources of assets in our core markets. Selective diversification in these markets will also allow us to increase our capital efficiency, provide additional future profit streams for the Group and reduce our concentration risk on our core market. This limited and controlled diversification will contribute towards reducing the risks of achieving long-term sustainable growth in profits.</p>	<p>In line with our measured approach, our immediate focus is building on and utilising our current businesses and their capabilities, laying the foundation for future profitable growth and diversification through deploying our strategic enablers. As we move forward, we will be looking to adjacent markets that are consistent with our strategic direction and financial framework and where we can apply our capabilities to meet customer needs.</p>

Strategic enablers

<p>A Developing and engaging our people</p>	<p>Our colleagues underpin the delivery of all aspects of our business performance. We will continue to thrive as a company by developing and supporting our colleagues to be the best</p>	<p>that they can be, so that we can achieve more as a Group and develop a flexible and strong organisation with colleagues enjoying a relevant and fulfilling career.</p>
<p>B Establishing and strengthening our brand</p>	<p>Given the enormous changes in our markets and recently in consumer behaviour, there is a huge opportunity to introduce a brand that is differentiated and stands out from other financial services companies. Our new brand, Just, has been created to stand out for being moral, upright and honest. At the core of the</p>	<p>brand is our social purpose to help the many millions of people with the challenges of later life who can often be the most vulnerable in society. The new brand was introduced in January 2017 and will be implemented throughout the business during the year.</p>
<p>C Delivering a customer experience built on our customer understanding that delivers our brand promise</p>	<p>Customers' experience of our service is paramount as it is the embodiment of our brand, the depth to which we understand the needs of customers and how we demonstrate our commitment to evidencing a business that is customer-centric. As the retirement market and customers within it evolve, so we will</p>	<p>be evolving and adapting our service proposition. We think about the customer at every point in their journey with us so that our brand values are recognised through every channel and touch point.</p>
<p>D Continuously evolving and enhancing our longevity IP and customer insight</p>	<p>The Group plans to continue to invest in and develop our proprietary IP, building on the strength and extensive experience created by our heritage businesses. We will combine this with our customer insight to drive proposition</p>	<p>development and refine our targeting to select the most attractive risks.</p>
<p>E Building our digital capabilities</p>	<p>We have made strong progress integrating our two heritage businesses following the completion of the merger. As part of our integration analysis we have identified opportunities to transform our digital</p>	<p>capabilities to enhance our operational effectiveness and equip the Group to adapt the way we deliver services in the future to our diverse retail and corporate customers.</p>

Strategic Report

Chief Executive Officer's Operating Review

Rodney Cook
Chief Executive Officer



We are focussing on profits and in 2016 have delivered increasing new business margins and increasing new business profits

I am delighted to present the first CEO Operating Review for the new JRP Group plc. This has been a challenging period for the two predecessor businesses and for the new Group. I am very pleased to be able to report a very strong performance that has been achieved while making significant progress in transforming and integrating our businesses and delivering our merger synergies.

The backdrop to these results is the unprecedented upheaval in our markets following the introduction of the Pension Freedoms in 2015, the implementation of Solvency II capital requirements in 2016 and the interest rate volatility both before and after the Brexit Referendum result. We took decisive action and responded to the changes in the external environment

by innovating and using our intellectual property to penetrate new markets and grow our profits in existing ones. Our results for 2016 demonstrate that we have successfully done that.

The competitive landscape in the GifL market is changing because of prudential regulatory interventions on capital through Solvency II and conduct intervention by the FCA, the combination of which has resulted in a number of major companies changing their business models and introducing open market GifL broking services to replace their internal only manufacturing arrangements. Political and regulatory risks continue to exist within the pension environment as government and regulatory policies continue to evolve. At present we judge that these factors, coupled with the structural growth drivers for defined contribution pension savings, will result in our addressable market increasing.

Combining the IP of Just Retirement and Partnership on GifL policyholder mortality means that we have a significant competitive advantage in underwriting and pricing new business. We are using this advantage to better select risks and, given our addressable markets are expected to grow, we will only target business that meets our stringent profit and capital objectives.

The results in 2016 demonstrate our ability to use our strengths to improve profitability and grow new business profits without increasing sales. We have increased pro forma new business margins from 3.3% to pre-Pension Freedoms levels of 6.8% in the last year. Despite lower pro forma new business sales, we are still a high-growth business, with new business far outstripping maturing business.

Our capital position has proved resilient over a period of significant market turbulence in the run-up to, and aftermath of, the EU Referendum vote. We have achieved this by focussing on pricing discipline on new business and prudent management of the balance sheet. The Group Solvency Capital Requirement (“SCR”) coverage ratio increased from a pro forma 136% at 1 January 2016 to 151% at 31 December 2016. This ratio was boosted by the £250m of Tier 2 debt issued in October. Ignoring the impact of this debt issuance, the capital ratio was unchanged over the second half of 2016 despite writing £1.2bn of new business.

Looking forward, our current expectation is that the Solvency II new business capital strain will be a mid-single-digit percentage of premium fully loaded for post-synergy expenses. We expect shareholder capital deployed on new business to earn a mid-teen return. These views are dependent on a number of factors. These include customer rates on DB, GifL and LTM business, financial market conditions (for example, credit spreads and risk-free rates), reinsurance terms and any changes to the Solvency II regime as applied to our business.

There has been increased competition in the LTM market in 2016. This may in due course lead to pricing pressure,

however, the developments in the lifetime mortgage market in 2016 have been very supportive to our business model. We use LTM to back our GifL and DB De-risking business as these mortgage assets are a very good match for the long-term nature of our liabilities. This is currently a supply constrained market and we see new entrants as beneficial to customers and market growth.

Our multi-channel distribution and strategic funding relationships with other providers positions us well to maintain our position as a leader in the LTM market.

The LTM market has grown by c.30% in 2016 as new entrants provide more mortgage supply and increasing numbers of customers are disposed to using their housing wealth to support their needs in later life. We do not set LTM market share targets. We select the risks that deliver our profit targets and in 2016 we have been able to originate more than sufficient new mortgage business to support the GifL and DB new business sales.

We are ahead of schedule in capturing the synergy benefits from the merger and have increased our target from £40m to £45m by the end of 2018. Integration of the two businesses is a complex process that may ultimately take longer or cost more than anticipated. However so far we have delivered annualised run rate cost savings of £30m to date and are on track to deliver our revised target of £45m of annualised savings. As these benefits are realised, they will contribute further to our new business profitability.

We have made great progress over the last year in positioning ourselves to deliver value to our shareholders. However, we are not complacent and

New business margin

6.8%

2015: 3.3%

Merger cost synergies delivered

£30M

Annualised run rate

New business sales – pro forma basis (unaudited)

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Defined Benefit De-risking Solutions (“DB”)	943.4	1,233.3
Guaranteed Income for Life Solutions (“GifL”)	778.1	762.8
Care Plans (“CP”)	97.2	92.2
Retirement income sales	1,818.7	2,088.3
Drawdown	25.2	20.6
Total retirement sales	1,843.9	2,108.9
Protection	4.7	5.1
LTM loans advanced	559.3	598.0
Total new business sales	2,407.9	2,712.0

Strategic Report

Chief Executive Officer's Operating Review continued



New business operating profit has increased to £123.9m (2015: £68.0m), due to the increase in new business margins

we will remain focussed on capturing the remaining expense benefits of the merger and expanding access to our addressable markets such that we may deploy our IP to select only those risks that enable us to grow our profits, and use our capital wisely.

Performance review – pro forma

The merger of Just Retirement and Partnership is required for accounting purposes to be treated as an acquisition by Just Retirement of Partnership with an effective date of the beginning of April 2016. As a consequence, pro forma financial performance measures on a calendar year basis, as though the merger took place at the beginning of January 2015, have been presented to give a better understanding of the business of the merged Group. Pro forma financial information is shown in this CEO Operating Review. The underlying assumptions have been aligned to be consistent across both Group companies. Pro forma information is unaudited. A reconciliation of pro forma financial information to statutory financial information is given on page 29 in the Strategic Report.

New business sales – pro forma basis

New business sales represent sales for the year ended 31 December 2016 for both Just Retirement and Partnership, together with comparative information on a pro forma basis representing sales for the year ended 31 December 2015 for both Just Retirement and Partnership.

Total new business sales for the Group decreased by 11%, from £2,712.0m for the year ended 31 December 2015, to £2,407.9m for the year ended 31 December 2016. The drivers for this decrease are explained below.

Defined Benefit De-risking sales

DB sales for the year ended 31 December 2016 were down 24% compared to the same period in the prior year, falling from £1,233.3m to £943.4m. This result is as expected, given exceptionally high sales in the second half of 2015 as a result of sales being brought forward before the introduction of Solvency II on 1 January 2016. Underlying growth is better considered by looking at 2016 sales compared to 2014 sales, which were up 37%.

Following the Solvency II disruption, sales momentum grew through 2016 with sales in the second half of the year of £779m, which was approaching five times the £164m sales in the first half.

Prospects for growth for this proposition remain strong. The total market DB liabilities are anticipated to be some £2 trillion, but our primary focus is on the 'Buy-in' sub-sector which de-risks pensions already in payment. This category makes up 39% of the DB market liabilities, so our addressable market of pensions in payment may be around £600bn. Our proposition works for every DB scheme in the market, including those with billions of pounds of liabilities, but we focus our participations on transactions below the £250m level. Over the last few years the market value of DB de-risking transactions has been in a corridor of £8bn-£15bn per year which, given the size of the market liabilities, illustrates there is significant headroom for growth during the next decade.

It is also worth noting the emergence of a further £100bn of life company annuity back book transfers in 2016, which has created competition for already scarce de-risking capital. Altogether we expect

Adjusted operating profit – pro forma basis (unaudited)

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
New business operating profit	123.9	68.0
In-force operating profit	75.3	70.9
Underlying operating profit	199.2	138.9
Operating experience and assumption changes	2.6	(5.6)
Other Group companies' operating results	(12.4)	(10.4)
Reinsurance and finance costs	(25.7)	(19.4)
Adjusted operating profit before tax	163.7	103.5

the DB de-risking market will continue to grow, and the demand dynamics appear sustainable.

Gifl sales

Gifl sales for the year ended 31 December 2016 have increased by 2% compared to the same period in the prior year (2016: £778.1m; 2015: £762.8m) confirming the stabilisation of the market after the introduction of Pension Freedom and Choice. It is our expectation that our addressable share of this market will grow in 2017, with increasing proportions of people buying this product on the open market.

In the short term, growth is more likely to be driven by changing distribution patterns. This should benefit us, given our focus on the products bought by customers who shop around for guaranteed income for life products on the open market where we are now the leading provider. The open market accounted for 45% of sales in 2016, up from 41% in 2015, increasing our addressable market by 10%. There is still plenty of room for improvement before we get back to open market sales that were around 60% of the total market prior to the Pension Reforms.

Care sales

Sales of Care Plans were up 5%, from £92.2m in 2015 to £97.2m in 2016. This remains an attractive market with longer-term structural growth prospects.

Drawdown sales

Drawdown sales, which include Flexible Pension Plan ("FPP") and Capped Drawdown ("CD") sales, increased from £20.6m in 2015 to £25.2m in 2016, growth of 22%. This is in line with our expectations and reflects growth in

sales of the FPP product which allows customers to take advantage of the new Pensions Freedoms. The CD product is no longer available to new customers.

Protection sales

Protection sales remained stable at £5m.

Lifetime mortgage loans

LTM sales have decreased by 6% from £598.0m in 2015 to £559.3m in 2016. We took full advantage of favourable economic conditions in the first nine months of the year for lifetime mortgages and then intentionally managed back sales in the final quarter towards our target ratio of LTM to new Retirement Income liabilities. These assets provide a good match for the Group's long-term liabilities, including DB De-risking solutions where the profile of liabilities can be of a longer duration than for Gifl contracts due to benefit indexation. The LTM market grew by more than 30% in 2016, and it remains attractive with favourable underlying dynamics.

Financial highlights – pro forma basis**Adjusted operating profit**

Adjusted operating profit for the year ended 31 December 2016 and comparatives for 2015 are for both Just Retirement and Partnership.

New business operating profit

New business operating profit has increased to £123.9m (2015: £68.0m), due to the increase in new business margins. Margins have grown due to pricing changes following implementation of Solvency II, favourable mortgage yields, initial benefits from delivering the post-merger cost synergies and our focus on profits over volumes using our IP to select higher margin new business.

In-force operating profit

In-force operating profit has increased to £75.3m (2015: £70.9m). This is as a result of growth in the size of the in-force business offset by the impact of lower interest rates on the returns earned on surplus assets and the effect of narrowing bond spreads which have reduced the corporate bond default margin emerging.

Underlying operating profit

Underlying operating profit grew by 43% to £199.2m (2015: £138.9m) primarily reflecting the growth in new business profits. Underlying operating profit is the sum of the new business operating profit and in-force operating profit. This measure excludes the impact of one-off assumption changes and investment variances.

Operating experience and assumption changes

Operating experience and assumption changes, which include expense and mortality experience variances, amounted to £2.6m for 2016 (2015: £(5.6)m).

Other Group companies' operating results

This includes the results of our professional services companies and Group holding companies. The increase in the loss to £12.4m (2015: £10.4m) mainly reflects investment in our professional services companies.

Reinsurance and finance costs

Reinsurance and bank finance costs increased to £25.7m (2015: £19.4m), primarily driven by the increase in interest payable on Tier 2 financing including the Partnership £100m bond which was issued in March 2015 and the JRP £250m bond issued in October 2016.

Strategic Report

Chief Executive Officer's Operating Review continued

Financial investments

Financial investments have increased to £17.3bn (2015: £14.4bn). Of these, £10.7bn is invested in corporate bonds, gilts and liquidity funds, and £6.6bn in residential and commercial mortgages. Of the corporate bonds, gilt and liquidity fund portfolio, 13% is invested in AAA grade investments and 62% 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 loan-to-value ("LTV") ratio of the LTM portfolio is 28% at 31 December 2016.

European embedded value ("EEV") amounted to £2,047.0m at 31 December 2016 (31 December 2015: £1,772.6m). New business value generated during the year after tax was £141.7m (2015: £98.1m).

Capital and dividends

The Group's capital position remains strong. The Group's economic capital ratio at 31 December 2016 was 216% (30 June 2016: 185%). The estimated Solvency II capital ratio was 151% at 31 December 2016.

In October 2015 we raised equity capital through a placing and open offer amounting to £97m. We issued shares in connection with the acquisition of Partnership amounting to £570m in April 2016.

Additionally, in October 2016 we raised £250m of Solvency II qualifying Tier 2 debt capital. After this issuance, the Group's gearing remains comfortably within the range of other listed insurance companies.

The Board has proposed a final dividend of 2.4p per share, making a total dividend 3.5p for 2016. This represents an increase of 6% over the prior calendar year.

Business development

HUB Financial Solutions, the Group's division that provides services to UK businesses and their customers, has continued to win new mandates, including deals with Prudential UK and Phoenix Life. This is an exciting business that enables the Group to expand access to and grow our addressable markets and we have a healthy pipeline of prospects. The Group has continued to develop its DB business and now transacts with all the major employee benefit consultants.

We continue to explore further opportunities for geographical diversification and our South African subsidiary is building out its distribution reach and our American venture is beginning to gain traction with advisers and care facilities.

We have successfully implemented our Solvency II internal model for Just Retirement Limited and are progressing our work with the regulators to attain approval for Partnership Life Assurance Company Limited.

Current trading and outlook

There has been and continues to be considerable uncertainty in the external environment as a result of exceptional geopolitical upheavals, which drove risk free rates to historic lows. Our new business margin expansion in 2016 was boosted by unusually high mortgage spreads. The combination of more normal mortgage spreads in 2017, partially offset by cost synergies, should allow us to maintain the new business margin at above 6%. We remain focussed on margins rather than volumes.

And finally...

In the last three years we have successfully completed our Initial Public Offering, addressed the 2014 Budget changes, launched and achieved a leading position for our DB business in the market, transformed our Retirement Income offering from an old style annuity into a diversified proposition offering guaranteed income for life and flexible drawdown, completed the merger with Partnership and made great progress in integrating the two businesses. None of this would have been possible without the hard work of my outstanding management team and Group colleagues. The merger with Partnership has further accelerated the rate of change and it is only right for me to recognise the huge efforts the JRP team has already made and continues 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 twelfth consecutive year for our Guaranteed Income for Life service and the ninth consecutive year for Lifetime Mortgages. This is a fantastic 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, colleagues and customers.



Rodney Cook
Chief Executive Officer
9 March 2017



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, colleagues and customers

Reconciliation of pro forma information to IFRS results

The financial performance figures described on pages 24 to 28 are based on pro forma financial results for the calendar year 2016 compared to calendar year 2015 assuming that the merger of Just Retirement and Partnership had taken place on 1 January 2015. This information is presented as, in the opinion of the Directors, it provides a more meaningful view of the performance of the JRP Group in 2016 compared to 2015.

Below are reconciliations between pro forma adjusted operating profits and pro forma sales to the adjusted operating profit, and sales KPIs. Reconciliations between the sales KPI and gross written premiums and the adjusted operating profit KPI and IFRS profit before tax, are set out in note 7 to the financial statements on page 116. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products.

Reconciliation of pro forma new business sales to new business sales KPI

		Current period £m	Prior period £m
Pro forma new business sales (unaudited)	12 months to December 2016/15	2,407.9	2,712.0
New business sales relating to Partnership Assurance Group plc	12 months to December 2016/15 pre-acquisition	(160.5)	(843.2)
Post-acquisition new business sales	12 months to December 2016/15	2,247.4	1,868.8
Effect of change in reporting date	6 months to December 2015	1,233.2	(1,233.2)
	6 months to December 2014	–	820.2
New business sales	18 months to December 2016/ 12 months to June 2015	3,480.6	1,455.8

Reconciliation of pro forma adjusted operating profit to adjusted operating profit KPI

		Current period £m	Prior period £m
Pro forma adjusted operating profit before tax (unaudited)	12 months to December 2016/15	163.7	103.5
Operating profit relating to Partnership Assurance Group plc	12 months to December 2016/15 pre-acquisition	2.2	(21.0)
Post-acquisition adjusted operating profit	12 months to December 2016/15	165.9	82.5
Effect of change in year end	6 months to December 2015	49.8	(49.8)
	6 months to December 2014	–	34.9
Adjusted operating profit	18 months to December 2016/ 12 months to June 2015	215.7	67.6

Strategic Report

Key performance indicators¹

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”)

¹ The KPIs for 2016 are based on the 18 month period to 31 December 2016, incorporating the results from the acquired Partnership Group from 1 April 2016. 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.

New business operating profit (£m)

▲ **£171.7m**

2016	171.7
2015	36.8
2014	53.1

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

New business operating profit has increased, primarily due to the 18 month period together with the consolidation of Partnership. Underlying this has been an improvement in new business margins, realisation of merger synergies and the yields available on investment assets.

Strategic objective



In-force operating profit (£m)

▲ **£89.3m**

2016	89.3
2015	49.6
2014	43.6

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 prudent reserving margins over the lifetime of the policies.

The in-force operating profit includes the results for an 18 month period and has continued to grow as a result of the continued increase in the in-force book of business, including the acquired Partnership business.

Strategic objective



Adjusted operating profit (£m)

▲ **£215.7m**

2016	215.7
2015	67.6
2014	80.5

Adjusted operating profit is the sum of the new business operating profit and in-force operating profit together with the impact of one-off assumption changes, experience variances, results of the other Group companies and financing costs.

The strong profit growth reflects the 18 month period as well as improving new business margins and the growth of the in-force business, offset by increased financing costs.

Strategic objective



New business sales (£m)

▲ **£3,480.6m**

2016	3.48
2015	1.45
2014	1.75

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

The growth in sales reflects the longer accounting period, and higher sales of DB business in 2015 and 2016 as well as the inclusion of post-acquisition Partnership sales.

Strategic objective



IFRS profit before tax (£m)

▲ **£198.8m**

2016	198.8
2015	(29.6)
2014	92.8

IFRS profit before tax represents the profit before tax attributable to equity holders.

The increase in profit reflects the strong operating performance, together with investment and economic profits offset by merger related costs.

Strategic objective



European embedded value (£m)

▲ **£2,047.0m**

2016	2,047.0
2015	1,019.3
2014	959.1

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.

European embedded value is £2,047m as a result of the acquisition of Partnership, capital raised during the period and growth due to new business and investment gains.

Strategic objective



Economic capital coverage ratio (%)

▲ **216%**

2016	216
2015	176
2014	178

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

The period end economic capital reflects the acquisition of Partnership, the Tier 2 debt raised in 2016 and harmonisation of economic capital models.

Strategic objective



IFRS net assets (£m)

▲ **£1,610.6m**

2016	1,610.6
2015	814.0
2014	852.8

IFRS net assets represents the assets attributable to equity holders.

The growth in net assets is due to the retained profit in the period and the acquisition of Partnership.

Strategic objective



Estimated Solvency II capital coverage ratio (%)

▲ **151%**

Solvency II capital, from 1 January 2016, is the regulatory capital measure and is focussed on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

We have conserved capital through our disciplined approach to pricing and selecting new business, and strengthened our capital base through the issue of equity and debt during the period.

Strategic objective



Strategic objectives ■ See page 22

- 1 Grow our addressable markets and broaden our distribution reach
- 2 Increase profitability through superior risk selection
- 3 Ensure expenses are aligned with the capital model
- 4 Improve cost and efficiency of capital
- 5 Reduce dependency on any single business line or market.

Strategic Report

Financial Review

Simon Thomas
Group Chief Financial
Officer



We have a sound financial position and are well-placed to make the most of our opportunities and are uniquely placed to grow profits and economic value

The results discussed in the Financial Review are for the 18 month period ended 31 December 2016, which incorporate the results of the acquired Partnership Group from 1 April 2016. The comparative results are for the Just Retirement Group for the year ended 30 June 2015.

Our financial results demonstrate the robustness of our business model, having worked through the significant challenges of the last three years. The financial benefits of the merger are seen in the results for the period, with very strong growth in new business margins and profitability. We have been able to write business at attractive margins by using our IP to select the most attractive risks and using the strong

returns on lifetime mortgages. We have conserved capital through our selective approach to writing new business and strengthened our capital base during the period with additional debt financing.

We have a sound financial position and are well-placed to make the most of the opportunities in front of us, where we are able to write new business at good rates of return. 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 Insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions and Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plan and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and lifetime mortgage advances. From a management reporting perspective, these are managed together, with LTM being an integral part of the insurance financial business model.

The professional services business is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies results and the client operating decision maker (“CODM”) does not separately consider its results at present.

The Other segment also includes the Group’s corporate activities that are primarily involved in managing the Group’s liquidity, capital and investment activities.

The table below aggregates the financial performance of the Group’s segments.

Adjusted operating profit

£215.7M

30 June 2015: £67.6m

Profit before tax

£198.8M

30 June 2015: Loss £29.6m

Group performance

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m	Change £m
New business operating profit	171.7	36.8	134.9
In-force operating profit	89.3	49.6	39.7
Underlying operating profit	261.0	86.4	174.6
Operating experience and assumption changes	2.5	2.4	0.1
Other Group companies’ operating results	(18.4)	(8.7)	(9.7)
Reinsurance and bank finance costs	(29.4)	(12.5)	(16.9)
Adjusted operating profit before tax	215.7	67.6	148.1
Non-recurring and project expenditure	(21.1)	(19.4)	(1.7)
Investment and economic profits/(losses)	93.1	(74.1)	167.2
Profit/(loss) before acquisition transaction and amortisation costs, before tax	287.7	(25.9)	313.6
Acquisition integration costs	(40.7)	–	(40.7)
Acquisition transaction costs	(23.4)	–	(23.4)
Amortisation and impairment of intangible assets	(24.8)	(3.7)	(21.1)
Profit/(loss) before tax	198.8	(29.6)	228.4

Insurance segment performance

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m	Change £m
New business operating profit	171.7	36.8	134.9
In-force operating profit	88.2	48.8	39.4
Underlying operating profit	259.9	85.6	174.3
Operating experience and assumption changes	2.5	2.4	0.1
Reinsurance and bank finance costs	(52.0)	(28.7)	(23.3)
Adjusted operating profit before tax	210.4	59.3	151.1
Non-recurring and project expenditure	(18.4)	(16.8)	(1.6)
Investment and economic profits/(losses)	95.7	(74.2)	169.9
Profit/(loss) before tax from insurance segment	287.7	(31.7)	319.4

Strategic Report

Financial Review continued

Insurance segment

The Group's insurance segment reported an adjusted operating profit before tax of £210.4m (2015: £59.3m), and a profit before tax of £287.7m (2015: loss before tax of £31.7m).

New business operating profit was £171.7m, compared with £36.8m in the prior year. The increase of £134.9m primarily reflects the longer financial reporting period with increased sales and improved margins. The new business operating margin for the 18 month period ended 31 December 2016 was 6.3%, up from 3.3% in the prior year.

Profits emerging from the in-force portfolio continue to grow. After allowing for the longer reporting period, these are broadly in line with the continuing increase in the size of the in-force book of business, together with the contribution, post-acquisition, from Partnership and amounted to £88.2m (2015: £48.8m), an increase of £39.4m compared to the previous period.

Underlying profit for the insurance segment increased by £174.3m from £85.6m for the year to 30 June 2015 to £259.9m for the 18 months to 31 December 2016 as a result of the factors described above.

Total adjusted operating profit amounted to £210.4m for the period, an increase of £151.1m compared to the prior year. Total adjusted 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, mortgage, and mortality items, amounted to a small positive result of £2.5m for the 18 months to 31 December 2016 (2015: £2.4m).

Reinsurance and bank finance costs increased by £23.3m to £52.0m for the 18 months to 31 December 2016 (2015: £28.7m), primarily driven by the longer accounting period, increased interest payable on Tier 2 financing from Group corporate companies, including interest on the Partnership, and JRL Tier 2 debt issuances, which amounted to £40.0m (2015: £18.3m).

The insurance segment reported a profit before tax for the 18 months to 31 December 2016 of £287.7m (2015: loss before tax of £31.7m). After the £151.1m increase in adjusted operating profit described above, the profit before tax includes the impact of non-recurring and project expenditure and investment and economic variances.

Non-recurring and project expenditure amounted to £18.4m (2015: £16.8m) and includes any one-off regulatory, project and development costs. This line item does not include acquisition integration or acquisition transaction costs, which are shown as separate line items and are explained further below.

Changes in economic and investment conditions over the period led to a profit of £95.7m, compared to a loss of £74.2m in the prior year, mainly reflecting the impact of the significant reduction of risk-free rates during the period, and the positive impact from the difference between actual and expected investment returns earned, together with a narrowing of credit spreads, offset by property valuation movements, and by changes in future property assumptions.

Other segments

Results from other activities included adjusted operating profit before tax of £5.3m (2015: £8.3m). The decrease in operating profit mainly reflects higher losses in the professional services companies, partly due to the longer reporting period.

Non-recurring expenditure

Non-recurring expenditure of £2.7m (2015: £2.6m) relates to one-off costs incurred by the Group including regulatory, project and development costs.

Other segment performance

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m	Change £m
Adjusted operating profit before tax	5.3	8.3	(3.0)
Non-recurring expenditure	(2.7)	(2.6)	(0.1)
Investment and economic profits	(2.6)	0.1	(2.7)
Acquisition integration costs	(40.7)	–	(40.7)
Acquisition transaction costs	(23.4)	–	(23.4)
Amortisation and impairment of intangible assets	(24.8)	(3.7)	(21.1)
Loss/(profit) before tax from other activities	(88.9)	2.1	(91.0)
Profit/(loss) before tax from Insurance segment	287.7	(31.7)	319.4
Group profit/(loss) before tax	198.8	(29.6)	228.4

Acquisition integration costs of £40.7m relate to the costs arising from the post-merger integration of the Just Retirement and Partnership businesses and operations. The restructuring changes made to date have already delivered approximately £30m of synergies on an annualised basis.

Acquisition transaction costs of £23.4m reflect the one-off costs incurred during the period in relation to the acquisition of Partnership Assurance Group plc. These costs include advisory, legal and stamp duty costs.

Amortisation costs relate to the amortisation of the Group's intangible assets, including the amortisation of intangible assets newly recognised in relation to the acquisition of Partnership Assurance Group plc by Just Retirement Group plc. Acquired in-force business and other intangibles of £169.6m were recognised on acquisition of Partnership Assurance Group plc. The acquired in-force business asset of £142.7m is being amortised in line with the run-off

of the in-force business. Amortisation of the acquired in-force business relating to Partnership Assurance Group plc during the period to 31 December 2016 totalled £10.7m and impairment of brand and Partnership related property lease intangible assets totalled £3.8m.

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.

Gross premiums written

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

Gross premiums written for the period to 31 December 2016 were £2,693.5m (2015: £1,099.0m). The increase reflects the longer accounting period and the growth in sales in our Defined Benefit De-risking business compared to the prior period,

together with the post-acquisition sales of the Partnership business.

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 £1,927.0m in 2015 to £2,307.0m in the period to 31 December 2016. This increase reflected the growth in gross premiums offset by higher reinsurance ceded. In the period prior to the commencement of Solvency II, the Group restructured its reinsurance financing arrangements, exercising its option to recapture £1,166.9m of premiums and entered into new treaties providing more extensive cover. As a result, reinsurance premiums ceded increased substantially, from £122.9m in the year ended 30 June 2015 to £1,553.4m in the period to 31 December 2016.

Highlights from Consolidated statement of comprehensive income

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Gross premiums written	2,693.5	1,099.0
Reinsurance premiums ceded	(1,553.4)	(122.9)
Reinsurance recapture	1,166.9	950.9
Net premium revenue	2,307.0	1,927.0
Net investment income	1,616.8	635.2
Other operating income	17.1	5.1
Total revenue	3,940.9	2,567.3
Net claims paid	(692.1)	(250.5)
Change in insurance liabilities	(2,406.7)	(2,095.9)
Change in investment contract liabilities	(15.5)	(3.5)
Acquisition costs	(53.6)	(18.5)
Other operating expenses	(341.5)	(127.6)
Finance costs	(232.7)	(100.9)
Total claims and expenses	(3,742.1)	(2,596.9)
Profit/(loss) before tax	198.8	(29.6)
Income tax	(51.3)	4.8
Total comprehensive income for the period	147.5	(24.8)

Strategic Report

Financial Review continued

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 £981.6m, from £635.2m for the year ended 30 June 2015 to £1,616.8m for the period ended 31 December 2016.

The increase in net investment income reflected higher interest income of £683.1m (year to 30 June 2015: £196.4m) reflecting the longer reporting period and acquisition of Partnership, and a more favourable movement in fair value of financial assets of £998.7m (year to 30 June 2015: £568.1m) driven by the falling long-term interest rate environment over the period. Reduction in the value of derivative financial instruments was lower at £65.2m (year to 30 June 2015: £129.3m); the derivatives portfolio was restructured during the period following the implementation of Solvency II.

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 £441.6m from £250.5m for the year ended 30 June 2015 to £692.1m at 31 December 2016, reflecting the continuing growth of the in-force book, the longer accounting period and the acquisition of the Partnership business 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 £310.8m from £2,095.9m for the year to 30 June 2015, to £2,406.7m for the period to 31 December 2016. The gross change in liabilities was £2,687.1m

in the period to 31 December 2016 compared with £956.7m in the year ended 30 June 2015, reflecting a similar increase as that seen in gross premiums. The change in insurance liabilities net of reinsurance reflected the recapture and implementation of new reinsurance financing arrangements as noted above.

Acquisition costs

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

Acquisition costs increased by £35.1m, from £18.5m for the year to 30 June 2015 to £53.6m for the period to 31 December 2016. This reflects primarily the longer accounting period and increased sales of LTM and GfL business.

Highlights from Consolidated statement of financial position

	As at 31 December 2016 £m	As at 30 June 2015 £m
Assets		
Financial investments	17,319.6	8,577.7
Reinsurance assets	6,057.1	2,477.1
Other assets	517.8	193.8
Total assets	23,894.5	11,248.6
Share capital and share premium	185.0	51.3
Reorganisation and merger reserves	881.1	347.4
Accumulated profit and other adjustments	544.5	415.3
Total equity	1,610.6	814.0
Liabilities		
Insurance liabilities	15,748.0	7,440.3
Other financial liabilities	5,740.8	2,643.2
Insurance and other payables	113.1	22.7
Other liabilities	682.0	328.4
Total liabilities	22,283.9	10,434.6
Total equity and liabilities	23,894.5	11,248.6

“A” rated and above bonds and gilts**62%**

62% at 30 June 2015

European embedded value per share**219_P**

204p at 30 June 2015

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 £213.9m, from £127.6m for the year to 30 June 2015 to £341.5m for the period ended 31 December 2016. The increase includes, the effect of a longer accounting period, acquisition-related transaction and integration costs, increased amortisation of acquired intangible assets and the acquisition

of Partnership. Within this figure are merger-related costs of £64.1m.

Finance costs

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

Finance costs increased by £131.8m from £100.9m for the year to 30 June 2015 to £232.7m for the period to 31 December 2016. The increase is due to the longer period of account, the subordinated debt interest costs for both the Partnership and JRP debt together with additional reinsurance finance costs following the acquisition of Partnership.

Credit ratings analysis

	As at 31 December 2016 £m	As at 30 June 2015 £m
Financial investment ratings		
AAA ¹	1,359.9	304.5
AA and gilts	1,603.2	995.3
A	3,471.0	1,731.8
BBB	3,759.0	1,741.1
BB or below	150.7	123.6
Unrated ¹	381.6	209.6
Loans secured by mortgages	6,594.2	3,471.8
Total	17,319.6	8,577.7

1 Includes units held in liquidity funds.

Sector analysis	£m	%
Basic materials	239.2	1.4%
Communications	871.3	5.0%
Auto manufacturers	273.7	1.6%
Consumer	896.1	5.2%
Energy	281.6	1.6%
Banks	2,355.6	13.6%
Insurance	841.6	4.8%
Financial – other	1,023.7	5.9%
Government	927.5	5.4%
Industrial	472.6	2.7%
Utilities	1,625.8	9.4%
Cash and units in liquidity funds	645.5	3.7%
Loans secured by mortgages	6,594.2	38.1%
Other	271.2	1.6%
Total	17,319.6	100.0%

Strategic Report

Financial Review continued

Income tax

There is an income tax charge of £51.3m for the period to 31 December 2016 (2015: credit of £4.8m). The effective tax rate has increased due to non-tax deductible expenses incurred in connection with the acquisition of Partnership, with some offset due to reductions in the UK rate of corporation tax. The tax credit also includes the impact of certain transitional rules regarding life company taxation.

Highlights from Consolidated statement of financial position

The table on page 36 presents selected items from the Consolidated statement of financial position, with key line item explanations below.

Financial investments

The table on page 37, labelled credit ratings analysis, provides a breakdown by credit rating of financial investments where applicable as at 31 December 2016 compared with the position at 30 June 2015. Financial investments increased by £8.8bn from £8.5bn at 30 June 2015 to £17.3bn at 31 December 2016 due to the acquisition of Partnership together with the continued investment of premiums into gilts, corporate bonds and LTM

contracts. The quality of the corporate bond portfolio remains high with 62% (2015: 62%) of our bond and gilt portfolio rated 'A' or above. There were no corporate bond defaults during the period (2015: £nil). The loan-to-value ratio of the mortgage portfolio at 31 December 2016 was 28% (30 June 2015: 25%).

Other balances

Reinsurance assets increased by £3.6bn from £2.5bn at 30 June 2015 to £6.1bn at 31 December 2016 as a result of the acquisition of Partnership and reinsured new business in the period.

Insurance liabilities increased from £7.4bn at 30 June 2015 to £15.7bn at 31 December 2016 due to the Partnership acquisition and liabilities arising on new insurance business written less claims paid in the period.

Other financial liabilities increased by £3.1bn from £2.6bn at 30 June 2015 to £5.7bn 31 December 2016. These liabilities relate mainly to deposits received from reinsurers, with the increase largely due to the acquired Partnership business. Insurance and other payables increased by £90.4m from £22.7m at 30 June 2015 to £113.1m at 31 December 2016.

The increase is due to the acquired Partnership business as well as an unsettled investment transaction balance.

Other liability balances have increased by £353.6m from £328.4m at 30 June 2015 to £682.0m at 31 December 2016. The increase has largely been driven by the issuance of Tier 2 debt by JRP Group in 2016 and the acquired Partnership debt.

Total equity increased by £796.6m from £814.0m at 30 June 2015 to £1,610.6m at 31 December 2016, reflecting the issuance of shares to acquire the Partnership business and the retained profits for the period after dividend payments.

European embedded value

The statement of change in embedded value represents the change for the 18 months ended 31 December 2016 for the JRP Group, together with the comparative figures for the year ended 30 June 2015. The solvency regime changed to a Solvency II basis from 1 January 2016.

Statement of change in European embedded value

	18 months ended 31 December 2016			12 months ended
	Covered business £m	Non-covered business £m	Total £m	30 June 2015 £m
Opening Group EEV	782.8	236.5	1,019.3	959.1
Operating EEV earnings	87.8	2.7	90.5	53.6
Non-operating EEV earnings	(33.9)	(18.1)	(52.0)	25.5
Total EEV earnings	53.9	(15.4)	38.5	79.1
Other movements in IFRS net equity	–	1.5	1.5	0.9
Dividend and capital flows	30.0	54.5	84.5	(11.0)
December closing Group EEV	866.7	277.1	1,143.8	1,028.1
Methodology change as at December 2015	6.5	–	6.5	–
Restated December EEV	873.2	277.1	1,150.3	1,028.1
Acquisition of Partnership Assurance Group	571.8	63.8	635.6	–
Operating EEV earnings	186.8	(9.6)	177.2	36.5
Non-operating EEV earnings	143.5	(51.0)	92.5	(41.6)
Total EEV earnings	330.3	(60.6)	269.7	(5.1)
Other movements in IFRS net equity	–	11.9	11.9	1.8
Dividend and capital flows	10.0	(30.5)	(20.5)	(5.5)
Closing Group EEV	1,785.3	261.7	2,047.0	1,019.3

As results up to 31 December 2015 have been prepared under the previous Solvency I regime, the analysis of movement for the 18 months ended 31 December 2016 has been split into two periods to reflect the different reporting bases in place for the two periods. Material economic assumptions have been aligned to be consistent across both Group companies at 31 December 2015, and, for JRL, are included within the methodology change as at December 2015.

Group EEV increased by £1,027.7m from £1,019.3m at 30 June 2015 to £2,047.0m at 31 December 2016, due primarily to EEV earnings of £308.2m for the period, £635.6m from the acquisition of Partnership and £96.9m from net capital raised.

Capital management

Both Just Retirement and Partnership managed their businesses on a basis of both economic and regulatory capital, and the combined JRP Group will continue to do so.

Solvency II

The Solvency II regime came into effect on 1 January 2016. The Group has approval to apply the matching adjustment and transitional measures in its calculation of technical provisions and uses a combination of an Internal Model and the Standard Formula to calculate its Group Solvency Capital Requirement.

Transitional measures ("TMTP") provide a bridge between the previous capital regime and Solvency II for business written prior to 1 January 2016.

The Group received approval to recalculate the TMTP as at 30 June 2016 in light of the significant decrease in interest rates that were experienced in the period after 1 January 2016.

Further recalculations, if agreed with the regulator, may be made if there are significant changes in the risk profile of the insurance companies.

Our capital position has proved resilient during the period by focussing on pricing discipline on new business and prudent management of the balance sheet. Our underlying capital ratio was practically unchanged over the year. The Group SCR coverage ratio increased from a pro forma 136% at 1 January 2016 to an estimated 151% at 31 December 2016, including 12 months' amortisation of transitional relief. This ratio was boosted by the £250m of Tier 2 debt issued in October.

Group's estimated Solvency II position

At 31 December 2016	£m
Own funds	2,192
Solvency Capital Requirement	(1,449)
Excess own funds	743
Solvency coverage ratio	151%

Estimated Group Solvency II sensitivities:	%	£m
Solvency II capital surplus at 31 December 2016	151%	743
-50 bps fall in interest rates (no TMTP recalculation)	-13%	(141)
-50 bps fall in interest rates (with TMTP recalculation)	0%	56
+100 bps credit spreads	+5%	43
+10% LTM early redemption	+1%	3
-20% property values	-13%	(173)
-5% longevity	-14%	(189)

Dividends

The Group paid two interim dividends of 1.1 pence per share in respect of the 18 months to 31 December 2016. The Board has recommended a final dividend of 2.4 pence per share, bringing the total dividend for the 18 months to 31 December 2016 to 4.6 pence per share (year ended 30 June 2015: 3.3 pence per share).



Simon Thomas
Group Chief Financial Officer

Group economic capital surplus position

	As at 31 December 2016 £m	As at 30 June 2015 £m
Available capital	2,670	916
Required capital	(1,234)	(521)
Economic capital	1,436	395
Solvency ratio	216%	176%

The period end economic capital reflects the acquisition of Partnership, the Tier 2 debt raised in 2016 and harmonisation of economic capital models.

Strategic Report

Corporate Social Responsibility Review



We have continued with our comprehensive programme of corporate social responsibility (“CSR”) activities. Our aim is to make a positive difference to both our colleagues and the communities in which we operate

Community and charity

The Group has a comprehensive programme of charitable and community activities to support our CSR policies.

Community

We undertook a number of community initiatives during 2016, designed to help us engage with the communities surrounding our primary operational locations.

Schools programme

Our colleagues are keen to help share their wide knowledge and experience within our communities and the schools engagement programme offered staff the opportunity to participate in various activities in primary and secondary schools based in Redhill, Reigate and Tower Hamlets, London. In Tower Hamlets, people spent time at a primary school helping students with their reading and feedback from the school has been very positive, in many cases having seen a demonstrable uplift in students' grades. In Redhill and Reigate, we continued our partnership with the educational charity SATRO, supporting the community with mentoring within local high schools. This has been very successful in helping colleagues to develop skills that are hugely transferable within their roles in the business, including listening, coaching and developing others, along with giving the mentees at the school extra support during their GCSE years.

Volunteering

In June 2016 we offered our colleagues the opportunity to volunteer in the local community with days out doing various activities. A group of people helped out by doing conservation work at Happy Valley, Croydon Council's largest area of public open space, comprising chalk downland, hay meadows and ancient woodland.

Colleagues also spent time at Spitalfields City Farm, which is close to our London office, helping out with the general day-to-day upkeep. Both events were extremely well received.

These activities were part of a wider well-being initiative which included a range of activities to help support our colleagues on the themes of health, well-being and team-building exercises.

Looking forward to 2017

In 2017 our CSR programme is being reviewed to ensure it continues to support our new Group's business and brand strategy. As a specialist financial services group focussed on the retirement sector, we are acutely aware that many millions of people face difficult challenges in later life. The Just brand, which has a strong social purpose at the core, is committed to raising awareness of these challenges and helping to find solutions to improve the lives of people approaching and in-retirement. Our colleagues provide outstanding service

to over half a million customers but they also have relatives, neighbours and know people in their communities who are facing these challenges. Our colleagues will be part of our task-force to support our social purpose of helping people manage their money, build social and digital connections, in promoting healthy minds and encouraging people to get active.

Charitable donations

We have made donations to corporate and company charities: Alzheimer's Research UK; Dementia UK; Meningitis Now; the Northern Ireland Hospice; and St Catherine's Hospice which is a charity local to our Surrey offices. In addition to making corporate donations to Dementia UK and Meningitis Now, we matched funds raised for the other charities and provided support for other fundraising events in which our colleagues are keen to get involved.

In addition to the corporate charities, we also encourage our colleagues to become involved in fundraising activities for their own preferred charities and give smaller donations in sponsorship.

Strategic Report

GHG Emissions Statement

We are committed to reducing the environmental impact of our business

The Group has reduced its consolidated carbon dioxide emissions by 2% over the past year. The Group has attained ISO 14001 accreditation and carried out an ESOS-compliant energy audit.

This has identified several areas which will allow us improve our operational energy efficiency and reduce our carbon footprint to meet the UK government's carbon reduction targets.

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement.

We do not have responsibility for any emission sources that are not included in our consolidated statement.

Reporting period – 1 January 2016 to 31 December 2016	Comparison year		
	tCO ₂ e current reporting year – 2016	tCO ₂ e previous reporting year (consolidated) – 2015	tCO ₂ e % difference
Scope 1 – Natural gas	95	95	–
Scope 2 – Electricity	1,311	1371	(5)
Scope 3 – Business travel and waste	884	861	3
Total emissions	2,290	2,327	(2)
Intensity measurement “Tonnes of CO ₂ e per FTE”	1.38	1.42	(3)
Intensity measurement “Tonnes of CO ₂ e per total £m sales revenue”	0.90	0.85	6

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and emission factors from UK government's GHG Conversion Factors for Company Reporting 2016.

The Group has identified relevant activity data for scope 1, 2 and 3 emissions with the support of independent consultant, Alphacello. Data from all emission sources has been collected and the validity and completeness of the dataset was checked by Alphacello.

1. Reporting period

Our reporting period is 1 January 2016 – 31 December 2016, which we set using a fixed-base year approach.

2. Base year

Due to the merger of Just Retirement & Partnership Assurance a new fixed base year has been set, which will be 2016 (1 January – 31 December). This allows the Group to accurately monitor and compare results for future statements.

3. Approach

The calculation of our total GHG emissions was carried out using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), encompassing ISO 14064 1:2006 standards and using DEFRA 2016 emission factors.

4. Organisational boundary

We have used the financial control approach to identify the GHG emissions for which we have responsibility. The boundaries of our reported emissions comprise all locations operating in the United Kingdom.

5. Operational scopes

We have measured our scope 1, 2 and significant scope 3 emissions.

6. Targets

We have set annual targets in accordance with the recommendations set out by UK Government to reduce business carbon emissions. These are included in our Energy Saving Opportunity Scheme (“ESOS”) Energy Pack, and have been submitted to the Environment Agency.

7. Intensity measurement

We use both a financial emissions intensity metric (tonnes CO₂e per £m sales) and a headcount intensity metric (tonnes CO₂e per FTE) to normalise our data and provide useful performance indicators. Office energy usage and business travel accounts for most of the Group's carbon footprint. Since our revenue is largely relative to our business activity levels with our clients (which in turn influences our level of business travel and revenue growth), these are the most appropriate and useful intensity measurements for our sector.

8. Approach to assurance

Data from all emission sources has been collected and the validity and completeness of the dataset was checked by Alphacello. Alphacello are Energy Auditors and are certified with STROMA, Lead Energy Assessor ID: STRO101125.

9. Carbon offsets

At present, carbon offsets do not form part of our carbon mitigation strategy.

Strategic Report

Corporate clients



CORPORATE CLIENTS

SOLVING PROBLEMS FOR COMPANIES

We develop scalable retirement-focussed solutions for banks, building societies, life assurance companies, pension scheme trustees and other corporate clients

We have brought together The Open Market Annuity Service (“TOMAS”) and Just Retirement Solutions (“JRS”) to create HUB Financial Solutions (“HUB”), the new name for our company that provides services to UK businesses and their customers.

HUB FINANCIAL
SOLUTIONS

INTEGRATED RETIREMENT SERVICES

Risk management

**Through our strong risk culture,
we are confident of making better
decisions to achieve business success**

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 our 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 and decide how best to manage them 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 function, led by the Chief Risk Officer (“CRO”), challenges the management team on the effectiveness of its risk evaluation and mitigation. 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 is aligned to both our economic capital and regulatory capital metrics to allow the Board to understand the capital requirements for 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 Group’s Own Risk and Solvency Assessment (“ORSA”) further embeds comprehensive risk reviews into our Group management structure. Our annual ORSA report is a key part of our business cycle and informs strategic decision making. ORSA updates are prepared each quarter to keep the Board apprised of the Group’s evolving risk profile.

Strategic Report

Principal risks and uncertainties



The Group's enterprise-wide risk management strategy is to enable all colleagues to take more effective business decisions through a better understanding of risk





Risk	Change in risk during the previous 18 months	Description and impact	Mitigation and management action	Risk outlook
Risks from our chosen market environment Strategic objective 1 2 3 4 5		<p>The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital.</p> <p>The Pension Reforms introduced in 2015 have had a fundamental impact on the retirement income market, which will continue to evolve. Customers have reacted to Pension Freedoms by looking for more flexible retirement solutions and some customers are deferring their retirement decisions. Customer needs for a secure income in retirement have, however, not changed and the Group expects that demand for guaranteed income for life solutions will continue to grow.</p>	<p>Our approach to legislative change is to participate actively and engage with policy makers in the UK, and this will not change.</p> <p>The Group offers a wide range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well-placed to adapt to the changing customer demand, supported by our brand promise, innovation credentials and financial strength.</p> <p>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.</p>	
Risks from our pricing assumptions Strategic objective 1 2 3 4 5		<p>Writing long-term retirement income and equity release business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches.</p> <p>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.</p>	<p>To manage the risk of our longevity assumptions being incorrect, the Group now has the benefit of the combined experience of its legacy businesses to provide insights and enhanced understanding of the longevity risks that the Group chooses to take.</p> <p>Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products.</p> <p>Some longevity risk exposure is shared with reinsurance partners, who perform due diligence on the Group's approach to risk selection. There is a related counterparty risk of a reinsurer not meeting its repayment obligations. This counterparty risk is typically mitigated through the reinsurer depositing the reinsurance premiums back to the Group or into third party trusts and by collateral arrangements.</p>	
Strategic objectives ■ See page 22 1 Grow our addressable markets and broaden our distribution reach 2 Increase profitability through superior risk selection 3 Ensure expenses are aligned with the capital model 4 Improve cost and efficiency of capital 5 Reduce dependency on any single business line or market		Risk outlook No change Increased risk Decreased risk	<p>For equity release, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-property value ratio, supported by product design features, limiting of concentration of risks on specific property types or regions, and monitoring of the exposure to adverse house price movements.</p>	

Risk	Change in risk during the previous 18 months	Description and impact	Mitigation and management action	Risk outlook
Risks from regulatory changes Strategic objective 1 2 3 4 5		<p>The financial services industry continues to see a high level of regulatory change and intense regulatory supervision. The regulatory agenda for the coming year covers many areas directly relevant to the Group.</p> <p>The Prudential Regulation Authority (“PRA”) started an industry-wide review during 2016 of the valuation and capital treatment of equity release mortgages, which could prompt changes in the Group’s approach in this respect.</p> <p>The Treasury Select Committee is undertaking an enquiry into the operation of Solvency II to supplement its work on the relationships that the UK may now seek with the EU. The ultimate terms of the UK’s exit from the EU could have significant consequences for the regulation and legislation that applies to the Group’s operations.</p> <p>The Solvency II risk margin is particularly sensitive to movements in interest rates, which can cause volatility. The introduction of the matching adjustment to meet Solvency II requirements has made management of liquidity within the Group more complex.</p> <p>The FCA is developing a strategy to address the challenges for financial services of the ageing UK population and is pursuing other reviews and initiatives pertinent to the retirement and mortgage markets.</p> <p>The EU General Data Protection Regulation (“GDPR”) comes into effect on 25 May 2018. Although many of the GDPR’s requirements are already present in the UK Data Protection Act 1998 (“DPA”), its requirements are more prescriptive and the rights of data subjects are clearer and easier for data subjects to enforce.</p>	<p>We monitor and assess regulatory developments on an ongoing basis and engage fully with the regulators. Our aims are to implement any required changes effectively, and to deliver better outcomes for our customers and competitive advantage for the business.</p> <p>Regulatory approval was obtained in 2015 for Just Retirement Limited to use an internal model to calculate its Solvency Capital Requirement (“SCR”) under Solvency II. As a consequence of the merger, the Group has applied for regulatory approval to use its internal model to calculate a Group SCR. The Group has gained approval from the PRA for the recalculation of the transitional measure on technical provisions (“TMTP”).</p> <p>We will continue to work closely with the PRA to understand and seek to influence its developing views on solvency capital.</p> <p>The Group responded directly to the PRA discussion paper (DP 1/16) on equity release mortgages, and through work with the Association of British Insurers and Equity Release Council. Any potential changes needed to our internal model or matching adjustment criteria resulting from the PRA’s equity release mortgage review will be carefully reviewed.</p> <p>Where possible, we seek to actively participate in all regulatory initiatives which may affect or provide future opportunities for the Group. We aim to champion outcomes that are positive for consumers by ensuring their retirement needs 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. The Group is actively engaged in the insurance industry’s work with the UK government and regulators on the potential form of the UK’s exit from the EU.</p> <p>We manage sensitive personal data in accordance with existing DPA requirements but are reviewing our existing practices and processes to ensure they remain compliant as the new regime comes into force.</p>	
Risks arising from the post-merger integration process Strategic objective 1 2 3 4 5		<p>On 4 April 2016 the merger of Just Retirement and Partnership Assurance completed to form JRP Group plc. The purpose of the merger is to deliver significant strategic and financial benefits for the combined Group.</p> <p>Integration of the two businesses is a complex process and may take longer, or cost more, than expected to deliver the intended synergies, or those synergies may not be fully realised. During the integration process, management could be distracted from day-to-day business, resulting in missed opportunities.</p> <p>The process of combining two organisations may have an undesirable effect on the culture of the new Group, impacting its effectiveness in the short term.</p>	<p>Given the complementary business models of the two organisations, business as usual activity has been maintained and strategic development moved forward at the same time as integrating the businesses. The integration process, which is currently ahead of schedule, reflects this approach and is being carefully managed and overseen by senior management and the Board.</p> <p>Our integration philosophy is “best of both” and this is being applied as key decisions are made for the future of the business; this also sets the tone for the culture of the organisation going forward and is a key focus for the management team.</p>	

Strategic Report

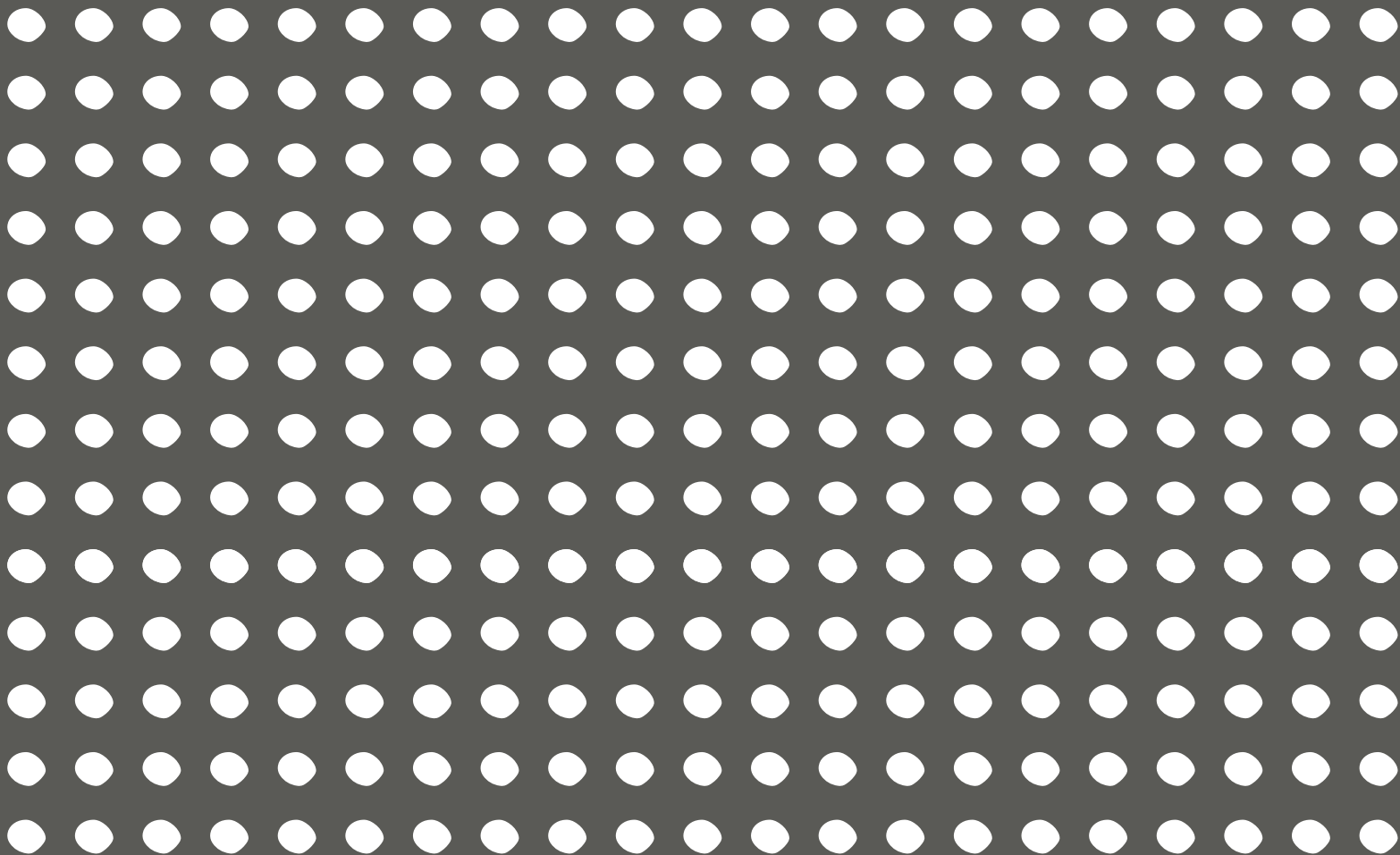
Principal risks and uncertainties continued

Risk	Change in risk during the previous 18 months	Description and impact	Mitigation and management action	Risk outlook
Risks from the economic environment Strategic objective 1 2 3 4 5		<p>The premiums paid by the Group's customers are invested to enable future benefits to be paid. 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.</p> <p>The macro-economic outlook is unclear, driven by uncertainty regarding the UK's future trading arrangements with the EU. The Referendum result has introduced material uncertainty for the UK economy in the medium and long term. It is too early to be clear on the long-term implications of the vote for the UK economy and indeed the wider economic impacts on the rest of Europe and the world; market conditions can be expected to be volatile for some time to come.</p> <p>The macro-economic outlook will also be impacted by US policy following the inauguration of a new President and the outcome of European elections, in particular in France and Germany, later in 2017.</p> <p>In an environment of continued low interest rates, investors may be 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 equity release portfolio help offset this risk.</p> <p>Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's Defined Benefit De-risking business volumes grow, its exposure to inflation risk increases.</p> <p>A fall in residential property values could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the no-negative equity guarantee in the equity release product also increases if property values drop. Uncertainty following the EU Referendum could result in property values stagnating or even falling in some, or all, UK regions. Conversely, significant future rises in property values could increase early mortgage redemptions, leading to a loss of anticipated value.</p> <p>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.</p>	<p>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.</p> <p>It is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group as it is almost wholly UK based with no services provided into the EEA, and its customers and policyholders are predominantly UK-based. Any changes to the regulatory environment as a result of the UK's withdrawal are being monitored, but a long-term departure from the Solvency II specifications, for example, is considered unlikely.</p> <p>The Group's strategy is to buy and hold high-quality, lower-risk assets in its investment portfolio 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.</p> <p>In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors of investment assets. Such diversification creates 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.</p> <p>The Group's exposure to inflation risk through the Defined Benefit De-risking business is managed with inflation-hedging mechanisms.</p> <p>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.</p> <p>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 periods of strain. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.</p>	

Risk	Change in risk during the previous 18 months	Description and impact	Mitigation and management action	Risk outlook
Risks to the Group's brands and reputation Strategic objective 1 2 3 4 5		<p>We believe everyone deserves a fair, fulfilling and secure retirement. Our aim is to help people to rethink retirement to achieve this. Our Just brand reflects the way we intend to conduct our business and treat our customer and wider stakeholder groups.</p> <p>There is a risk that the Group's brands and reputation could be damaged if the Group is found to be acting, even unintentionally, below the standards we set for ourselves. Damage to our brand or reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.</p> <p>Additionally, the Group's brands and reputation could be threatened by external risks such as regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate.</p>	<p>The Group actively seeks to differentiate its business from competitors by investing in the Group's brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand and were a shared ethos of the Group's legacy Just Retirement and Partnership Assurance businesses and we encourage our staff to take pride in the quality of service they provide to our customers.</p> <p>Engaging our employees in the Just brand and its associated values has been, and remains, a critical part of our post-merger integration activity. The Group's system of internal control, and associated policies and operational procedures, has been updated following the merger and defines the standards we expect of all employees.</p>	
Risks arising from operational processes and IT systems Strategic objective 1 2 3 4 5		<p>The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing applications and maintaining customer service and accurate records. There is a risk that these processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by increases in usage, human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or third party infrastructure on which the Group relies could lead to costs and disruptions that could adversely affect the Group's business as well as harm the Group's reputation.</p> <p>Large organisations, including the Group, are increasingly becoming targets for cyber-crime, particularly those organisations that hold customers' personal details. The Group is no exception and a cyber-attack could affect customer confidence.</p>	<p>The Group maintains a suite of risk management tools to help identify, measure, monitor, manage and report its operational risks including, but not limited to, those arising from operational processes and IT systems. These include a risk management system, risk and control assessments, risk event management, loss reporting, scenario analysis and risk reporting through the ORSA.</p> <p>The Group maintains newly modified plans and controls to minimise the risk of business disruption and information security related events, commensurate to that of our peers. Detailed incident and crisis management plans also exist to ensure effective responses. These are supported by specialist third parties for our mass notification (call cascade) system, and our workplace recovery centre.</p> <p>Our approach to information security is under constant review as the cyber-threat landscape evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. We remain vigilant to the range of cyber-risks but recognise the speed of change in cyber-threats means that a risk exposure remains. The Group has recently established an Information & Resilience Risk team, reporting to the Group Chief Risk Officer, to oversee the Group's strategy and controls in this area.</p>	

Governance

Trustees and scheme sponsors



TRUSTEES AND SCHEME SPONSORS



PROVIDING MEMBER SECURITY & DE-RISKING PENSION LIABILITIES

Defined Benefit pension schemes de-risking their liabilities by securing member benefits with an insurance contract

Addressable market

> **£600 BILLION**

Governance

Board of Directors



Chris Gibson-Smith,
Chairman

Chris Gibson-Smith was appointed Chairman of JRP Group plc in April 2016. He previously served as Chairman of Partnership Assurance Group plc from April 2013 until April 2016.

Chris brings over forty-five years business experience across a wide range of industries. This includes over forty years of cumulative FTSE main board experience, twenty-five of which as Chairman. Chris currently holds the role of Vice Chairman of UBS Investment Bank as of July 2016, and was previously Chairman of the London Stock Exchange Group plc from 2003 to 2015. He was Chairman of the British Land Company PLC from 2007 until 2012, and was a Director of the Qatar Financial Centre Regulatory Authority from 2006 to 2012. Chris was Chairman of National Air Traffic Services (NATS) from 2001 to 2005, Group Managing Director of BP from 1997 to 2001, a Director of Lloyds TSB from 1999 to 2005 and a Director of Powergen from 2001 to 2002. He has also served on UK Government advisory Committees on aviation and oil and gas and was awarded the CBE for his services to the financial industry.

Chris is Chair of the Nomination Committee and a member of the Market Disclosure Committee, Risk and Compliance Committee and Remuneration Committee, and Director of Partnership Life Assurance Company Limited and Just Retirement Limited.

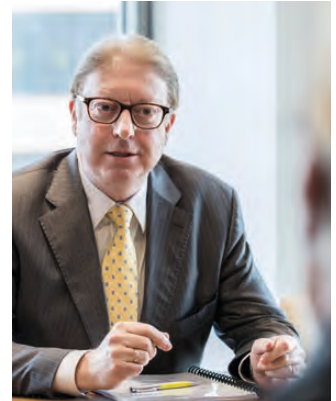


Tom Cross Brown,
Deputy Chairman

Tom Cross Brown continued to serve under the new role of Deputy Chairman of JRP Group plc in April 2016. He was Chairman of Just Retirement Group plc from August 2013 until April 2016 and was a Non-Executive Director of Just Retirement (Holdings) Limited from 2006 to 2014. Tom became Chairman on its admission to AIM in December 2006, until March 2014.

Until 2003, Tom 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 Chairman of Xafinity plc, Artemis Alpha Trust plc, and a Non-Executive member of the Management Committee of Artemis Investment Management LLP.

Tom is Chair of the Market Disclosure Committee, a member of the Risk and Compliance Committee and Nomination Committee, the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committee, and a Director of Partnership Life Assurance Company Limited and Just Retirement Limited.



Rodney Cook,
Group Chief Executive Officer

Rodney Cook continued to serve as Group Chief Executive Officer of JRP Group plc in April 2016. He was Chief Executive Officer of Just Retirement Group plc from August 2013 until April 2016, and was appointed as Chief Executive Officer of Just Retirement (Holdings) Limited in July 2010.

Previously, Rodney was Managing Director, Life and Pensions of Liverpool Victoria (LV=). Rodney, a qualified actuary, has 38 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 Partnership Life Assurance Company Limited, and Chair of TOMAS Acquisitions Limited.



David Richardson,
Group Deputy Chief Executive
Officer and MD UK Corporate
Business

David Richardson was appointed as Group Deputy Chief Executive Officer and MD UK Corporate Business of JRP Group plc in April 2016. He was Chief Finance Officer of Partnership Assurance Group plc from February 2013 until April 2016.

Previously, David was Group Chief Actuary of the UK's largest closed life assurance fund consolidator, Phoenix Group, where he was responsible for restructuring the group's balance sheet and overall capital management. Prior to this, David worked in a number of senior roles at Swiss Re, across both its Admin Re and traditional reinsurance businesses. Those roles included Chief Actuary of its Life and Health business, Head of Products for UK and South Africa and Global Head of its Longevity Pricing teams. David commenced his career at the actuarial consultancy Tillinghast. David is a Fellow of the Institute and Faculty of Actuaries and a CFA Charter holder.

David is a member of the Market Disclosure Committee and a Director of Just Retirement Limited, Partnership Life Assurance Company Limited, Just Retirement Money Limited, and Partnership Home Loans Limited.



Simon Thomas,
Group Chief Financial Officer

Simon Thomas continued to serve under the new title of Group Chief Financial Officer of JRP Group plc in April 2016. He was Group Finance Director of Just Retirement Group plc from August 2013 until April 2016, having been appointed as Group Finance Director of Just Retirement (Holdings) Limited in July 2006.

Previously, Simon 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 15 years' experience in the UK life assurance industry, and is a Chartered Accountant.

Simon is a member of the Market Disclosure Committee and the Integration Sub-Committee, and a Director of Just Retirement Limited, Partnership Life Assurance Company Limited and TOMAS Acquisitions Limited.

Senior Independent Director



Keith Nicholson,
Senior Independent Director

Keith Nicholson continued to serve as Senior Independent Director of JRP Group plc in April 2016. He was Senior Independent Director of Just Retirement Group plc from October 2013 until April 2016.

Keith 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 Chairman of the Risk and Compliance Committee and a member of the Audit, Nomination and Market Disclosure Committees, and the Integration Sub-Committee. He is also Senior Independent Director of Just Retirement Limited and Partnership Life Assurance Company Limited, and a member of their Investment Committee, and Senior Independent Director of Just Retirement Solutions Limited.

Governance

Board of Directors continued

Non-Executive Directors



Paul Bishop,
Non-Executive Director

Paul Bishop was appointed as a Non-Executive Director of JRP Group plc in April 2016. He previously served as a Non-Executive Director for Partnership Assurance Group plc from May 2014 until April 2016.

Paul has spent the majority of his career at KPMG, and from 1993 to the end of January 2014 was a partner apart from a brief period when he was employed at Atos KPMG Consulting as a Managing Director. Paul has specialised in the insurance sector for over 30 years, particularly life insurance, and led KPMG's insurance consulting practice for much of his time as a Partner. Paul also spent 18 months on secondment at Standard Life as Head of Financial Change in the period leading up to its demutualisation and IPO. Paul is a Chartered Accountant (ACA) and qualified in 1980.

Paul is Chair of the Audit Committee, and a member of the Nomination Committee, Integration Sub-Committee and the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committee. He is also a Director of Just Retirement Money Limited, Partnership Home Loans Limited, Partnership Life Assurance Company Limited and Just Retirement Limited.

Paul is also a Non-Executive Director of NHBC, having been appointed on 1 November 2016.



Peter Catterall,
Non-Executive Director

Peter Catterall was appointed as a Non-Executive Director of JRP Group plc in April 2016. He previously served as a Non-Executive Director for Partnership Assurance Group plc from February 2013 to April 2016, having been a Director of the predecessor company since 2008.

Peter joined Cinven in 1997 and is a member of Cinven's Executive Committee. Peter has been involved in numerous investments at Cinven.



Ian Cormack,
Non-Executive Director

Ian Cormack was appointed as a Non-Executive Director of JRP Group plc in April 2016. He previously served as Senior Independent Director for Partnership Assurance Group plc from May 2013 to April 2016.

Prior to his appointment, Ian spent over 30 years at Citibank up until 2000, latterly as UK Country Head and Co-Head of the Global Financial Institutions Group. From 2000 to 2002, he was Chief Executive Officer of AIG Europe. He was previously a Non-Executive Director of Pearl Group (2005–2009), Aspen Insurance Holdings (2002–2012), Qatar Financial Centre Authority (2006 – 2012), Bloomsbury Publishing (2011–2015), Xchanging (2012 – 2016) and previously Chairman of the CHAPS hi-value payment system. Ian is a former Chairman of the LSE Taurus Review Committee, and a former member of the Board of Cedel, the Executive Committee of the European Securities Committee, the settlement board of the London Stock Exchange; the Council of the British Bankers' Association and a former member of APACS. In addition to the JRP Group, Ian is Chairman of Maven Income & Growth VCT 4, Non-Executive Director of Hastings plc, Senior Independent Director of Phoenix Group and Chairman of Phoenix Life Holdings Limited and of the Phoenix Group Remuneration Committee.

Ian is Chair of the Remuneration Committee, and a member of the Nomination and Risk and Compliance Committee. Ian is also a Director of Just Retirement Solutions, Just Retirement Money Limited, Partnership Home Loans Limited, Just Retirement Limited, and Partnership Life Assurance Company Limited.

Past Directors

Kate Avery and Shayne Deighton resigned from the JRP Group plc Board immediately upon completion of the merger on 4 April 2016.



Michael Deakin,
Non-Executive Director

Michael Deakin continued to serve as a Non-Executive Director of JRP Group plc in April 2016. He previously served as a Non-Executive Director for Just Retirement Group plc from April 2014 until April 2016.

Michael is a qualified actuary and has over 25 years investment management experience. He 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 named Insight Investments. Since retiring from Insight in September 2003, he has served as a Non-Executive member of the Board of the Pension Protection Fund and was Chairman of its Investment Committee from 2004 to 2010, and a Board member of the London Pension Fund Authority from 2006 to 2012 (Deputy Chairman from 2009).

Michael is Chair of the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committee, and a member of the Nomination Committee and Remuneration Committee. He is also Chair of Just Retirement Money Limited and Partnership Home Loans Limited, and Director of Just Retirement Solutions Limited, Just Retirement Limited and Partnership Life Assurance Company Limited.



James Fraser,
Non-Executive Director

James Fraser continued to serve as a Non-Executive Director of JRP Group plc in April 2016. He was Non-Executive Director of Just Retirement Group plc from August 2013 until April 2016, having been appointed as a Non-Executive Director of Just Retirement (Holdings) Limited from 2009 until March 2014.

James is a Partner and Co-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 Group.



Steve Melcher,
Non-Executive Director

Steve Melcher continued to serve as a Non-Executive Director of JRP Group plc in April 2016. He was Non-Executive Director of Just Retirement Group plc from May 2015 until April 2016.

Steve has worked in financial services for over 40 years during which time he has held posts at JP Morgan, Marsh & McLennan and as Chief Executive Officer 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 Chair of the Integration Sub-Committee, and a member of the Audit, Risk and Compliance Committee, and the Remuneration Committee. He is also Chair of Just Retirement Solutions Limited, and a Director of Just Retirement Limited, Partnership Life Assurance Company Limited, Just Retirement Money Limited and Partnership Home Loans Limited.



Clare Spottiswoode,
Non-Executive Director

Clare Spottiswoode was appointed as a Non-Executive Director of JRP Group plc in April 2016. She was Non-Executive Director of Partnership Assurance Group plc from October 2014 to April 2016.

Clare is a mathematician and economist by training; in June 2010, she was appointed by HM Treasury to the Independent Commission on Banking (The Vickers Commission). Clare's career has involved acting as Policyholder Advocate for Norwich Union's with-profits policyholders at Aviva, in which role she acted on behalf of 1m policyholders tasked with reattributing Aviva's inherited estate, and included time as Director General of Ofgas, the UK gas regulator.

In addition to the JRP Group, Clare is a Non-Executive Director of BW Offshore Limited, Iluka plc, G4S plc, Payments UK and British Management Data Foundation, and Chairman of Gas Strategies Limited and of FlowGroup plc.

Clare is a member of the Audit Committee, Risk and Compliance Committee, and the Integration Sub-Committee, and a Director of Just Retirement Solutions, Just Retirement Limited, and Partnership Life Assurance Company Limited.

Governance

Chairman's introduction to Governance



I am pleased to present the Group's Corporate Governance report for the period to 31 December 2016 on behalf of the Board.

At the end of our first reporting period after an intense period of activity when the Board and its Committees has met more regularly than it might normally have done, I can confirm that the new Board has proven itself to be working well together. We have set out our strategy and future business plan. The merger of Just Retirement and Partnership Assurance has proved to be an excellent transaction. As I stated in my introduction at the beginning of the report, we are delivering synergies ahead of schedule and have increased our cost savings target. I believe that the Board is well placed to maximise the opportunities for the Group and its shareholders.

The Group Board is committed to the highest standards of corporate governance in JRP 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. The Board focuses primarily upon strategic, policy and governance issues, acting in accordance with the best interests of shareholders as a whole. It also approves the Group strategy, oversees the allocation of resources, and monitors the Group's performance.

However, whilst the excellent talent pool from both legacy companies provided the new Board with the right depth and mix of skills and experience, knowledge and independence to address a number of tough challenges, the Board is not considered diverse as presently composed. As Chairman of the Nomination Committee I will be taking an active role in overseeing a programme driven by the Committee to ensure that progress is made in achieving the Group's diversity goals and particularly to increase the female representation on the Board, the Executive Committee and the direct reports to the Executive Committee.

The Board decisions aim to link the Group's strategy, its governance and risk appetite to the pursuit of sustainable profit 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 JRP's business.

The Group has complied with the UK Corporate Governance Code.

The Group Board has delegated specific responsibilities to the Audit, Remuneration, Nomination and Risk and Compliance Committees to assist it with the direction and control of the Group. These Committees, together with the JRP Board Integration Sub-Committee, the Investment Committee of the Just Retirement Limited and Partnership Life Assurance Company Limited Boards, the Group Executive Office Committee and UK Business Executive Committee, are the principal operating committees of the Group.

The Group Chief Executive Officer operates a Group Executive Office 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 Office Committee comprises of Rodney Cook (Group Chief Executive Officer), Alex Duncan (Group Chief Risk Officer), Jane Kennedy (Group Chief Operating Officer), David Richardson (Group Deputy Chief Executive Officer and MD UK Corporate Business), and Simon Thomas (Group Chief Financial Officer). The Committee meets weekly to discuss and approve operational matters and is supported by the UK Business Executive Committee and the Management Sub-Committees focusing on the following areas: operational risk, pricing, assets and liabilities, insurance, products and propositions, change, and regulatory oversight. The UK Business Executive Committee comprises of the following Group Executives: Chris Berryman (Group Integration Director), Andrew Chamberlain (Group Director and Chief Actuary), David Cooper (Group Marketing & Distribution Director), Mark Dearsley (Group Strategy Director), Alex Duncan, Jane Kennedy, Steve Kyle (Group Regulatory & Audit Director), Hugh McKee (Managing Director of UK Retail Business), Giles Offen (Group Chief Digital Information Officer), David Richardson, and Paul Turner (Managing Director-Retirement Lending, International and Group Development).

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

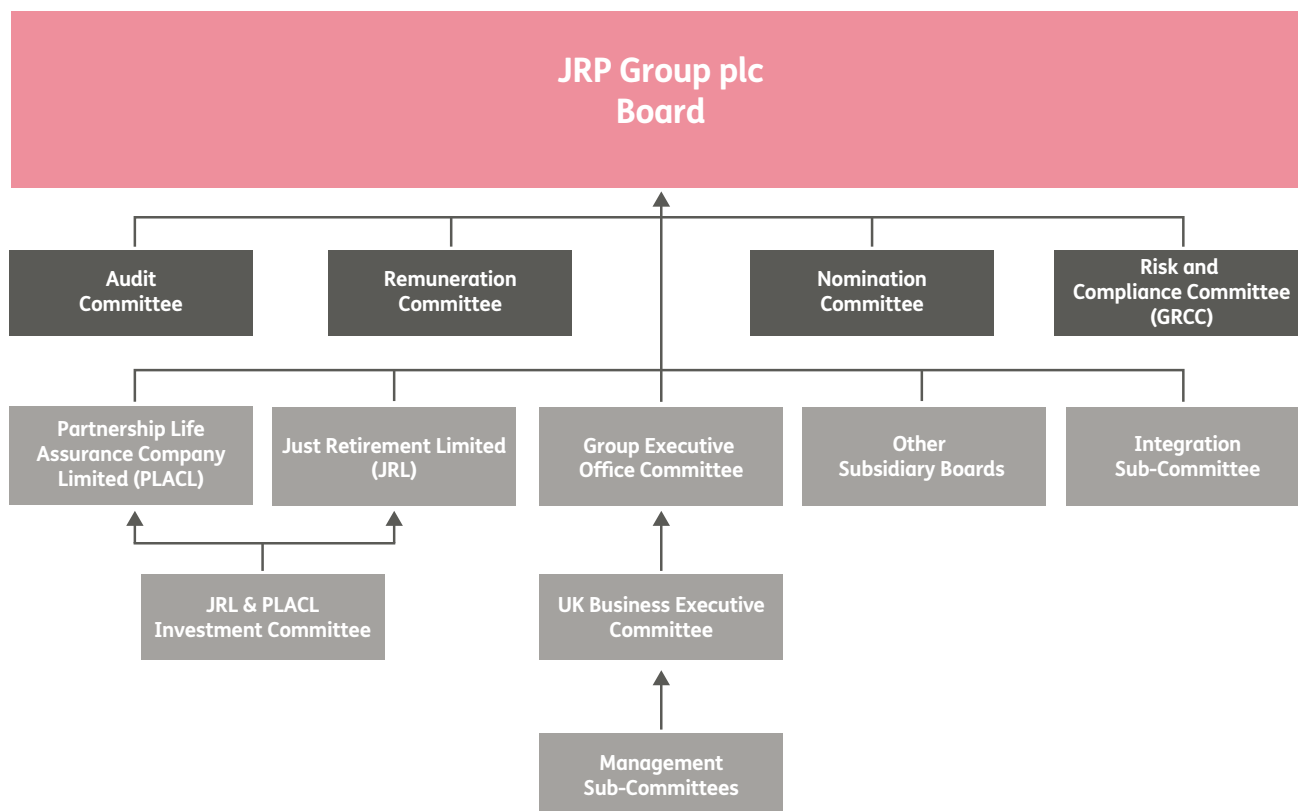
The Market Disclosure Committee oversees the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation ("MAR"), and to ensure that decisions in relation to those obligations can be made quickly. The Committee's role is to determine whether information is inside information, when such information needs to be disclosed and whether any announcements are required. Other responsibilities include reviewing and approving announcements concerning developments in JRP's business and monitoring compliance with the Group's MAR disclosure controls and procedures. Its members comprise Tom Cross Brown (Chair), Rodney Cook, Chris Gibson-Smith, Keith Nicholson, David Richardson and Simon Thomas.

Governance

Corporate Governance Report 2016

Group governance framework

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



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 60 to 65. The terms of reference for the Audit, Group Risk and Compliance, Remuneration and Nomination Committees are available on the Group's website at www.jrpgroup.com.

Governance

Corporate Governance Report 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 Nomination Committee. The Chairman of each Committee reports on the proceedings of the previous Committee meeting at the next scheduled Group 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	Nomination	Risk and Compliance	Investment ("JRL" and "PLACL")
Chris Gibson-Smith	By invitation	Member	Chairman	Member	By invitation
Tom Cross Brown			Member	Member	Member
Rodney Cook	By invitation			By invitation	By invitation
David Richardson	By invitation			By invitation	By invitation
Simon Thomas	By invitation			By invitation	By invitation
Paul Bishop	Chairman		Member	By invitation	Member
Peter Catterall					
Ian Cormack	By invitation	Chairman	Member	Member	
Michael Deakin	By invitation	Member	Member	By invitation	Chairman
James Fraser					
Steve Melcher	Member	Member		Member	By invitation
Keith Nicholson	Member		Member	Chairman	By invitation
Clare Spottiswoode	Member			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, 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 Paul Bishop. Its other members are Steve Melcher, Keith Nicholson and Clare Spottiswoode.

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 remuneration benefits, pension rights and compensation payments for all Solvency II staff, the Chairman, the Executive Directors of the Company, the Chief Actuary, the Company Secretary, the members of the Executive Committee and any other employees of the Group for when the Committee determines it will have oversight as agreed by the Board from time to time. 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 Ian Cormack. Its other members are Chris Gibson-Smith, Michael Deakin, and Steve Melcher.

Nomination Committee

The Nomination 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 Chris Gibson-Smith. Its other members are Tom Cross Brown, Paul Bishop, Ian Cormack, Michael Deakin and Keith Nicholson.

Risk and Compliance Committee

The Risk and Compliance Committee is principally responsible for assisting the Board and other members of the Group in the discharge of their risk and regulatory oversight responsibilities. The 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 Keith Nicholson. Its other members are Chris Gibson-Smith, Tom Cross Brown, Ian Cormack, Steve Melcher and Clare Spottiswoode.

Investment Committee

The Investment Committee of the Board of Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL") assist the Boards in achieving their investment objectives. The Investment Committee is responsible for reviewing and overseeing the implementation of JRL and PLACL's investment policy, including the performance of the investment portfolio, recommending the appointment and assessing the performance of the external investment managers, and the effectiveness of reporting procedures. The Investment Committee will normally meet not less than four times a year and is chaired by Michael Deakin. Its other members are Tom Cross Brown and Paul Bishop.

The Group Board is responsible for the proper management of JRP's Group strategy and direction, including its risk appetite. It also oversees the activities and direction of JRL and PLACL and the Group's other operating subsidiaries. There are 13 Board members: the Chairman (independent on appointment), three Executive and nine Non-Executive Directors (seven of whom are considered independent). Keith Nicholson is the Senior Independent Non-Executive Director.

The Board considers that the Non-Executive Directors Paul Bishop, Tom Cross Brown, Ian Cormack, Michael Deakin, Steve Melcher, Keith Nicholson and Clare Spottiswoode are each independent of management in character, judgement and opinion. The Board acknowledges that Peter Catterall and James Fraser, as the nominated principal shareholder Directors in the Company's relationship agreement with Avallux S.à.r.l and Cinven Limited (the Group's principal shareholders), 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 to 53.

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the Chairman and the Group Chief Executive Officer, 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 Nomination 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, including 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 to develop the Group's strategy, Paul Bishop, Ian Cormack, and Keith Nicholson respectively chair the Board's Audit, Remuneration, and Risk and Compliance Committees, while Michael Deakin chairs the Investment Committee of JRL and PLACL. As the Senior Independent Director, Keith Nicholson provides a sounding board for the Chairman, 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.

Governance

Corporate Governance Report continued

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

The Board held 14 meetings during the pre-merger period from 1 July 2015 to 3 April 2016. The table below shows Directors' attendance at scheduled Board and Committee meetings pre-merger:

	Board	Audit	Remuneration	Nomination	Risk and Compliance
Tom Cross Brown	13/14	–	3/3	3/3	3/3
Rodney Cook	12/14	–	–	–	–
Simon Thomas	12/14	–	–	–	–
Shayne Deighton ²	11/13	–	–	–	–
James Fraser	14/14	–	–	–	–
Keith Nicholson	14/14	4/4	3/3	3/3	3/3
Kate Avery ²	12/13	4/4	3/3	–	3/3
Michael Deakin	14/14	4/4	3/3	–	3/3
Steve Melcher	14/14	4/4	–	2/3	3/3

The Board held seven meetings during the post-merger period from 4 April 2016 to 31 December 2016. The table below shows Directors' attendance at Board and Committee meetings post-merger^{1,2}

	Board	Audit	Remuneration	Nomination	Risk and Compliance
Chris Gibson-Smith	7/7	–	2/2	1/1	4/4
Tom Cross Brown	7/7	–	–	1/1	3/4
Rodney Cook	7/7	–	–	–	–
Paul Bishop	7/7	5/5	–	1/1	–
Peter Catterall	4/7	–	–	–	–
Ian Cormack	5/7	–	2/2	1/1	2/4
Michael Deakin	7/7	–	2/2	1/1	–
James Fraser	7/7	–	–	–	–
Steve Melcher	7/7	5/5	2/2	–	3/4
Keith Nicholson	6/7	4/5	–	1/1	4/4
David Richardson	7/7	–	–	–	–
Clare Spottiswoode	7/7	5/5	–	–	4/4
Simon Thomas	7/7	–	–	–	–

1 This does not include additional ad hoc meetings held to approve discrete items of business or to support the work of the Committees between 4 April and 31 December 2016.

2 Shayne Deighton and Kate Avery retired from the Board upon completion of the merger on 4 April 2016.

The Nomination 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 19.

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 request that 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 oversee 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 is Internal Audit 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.

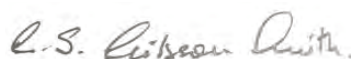
It is the view of the Board that the Group's internal controls are appropriate to the Group's needs at this time. Internal controls are kept under review by the Board and its Committees and the Board is committed to maintaining standards of internal controls that are in line with industry practice, the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

The annual performance evaluation of the Board, its Committees and of individual Directors was conducted after the year end and in keeping with the Code, for the period from 4 April to 31 December 2016 via an external third party. This was followed by meetings of individual Directors with the Chairman. The questionnaire responses were collated and analysed by the external facilitator and the Group Company Secretary. The results were reviewed by the Chairman and communicated by him and the third party facilitator to the Board in a short workshop where the Board also directed its ambitions in terms of development and performance. Led by the Senior Independent Director, the Non-Executive Directors (excluding the Chairman) met 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 Chief Financial Officer. An Investor Relations function provides the Board with regular analysis 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 168.



Chris Gibson-Smith
Chairman

Governance

Nomination Committee Report



Statement from the Nomination Committee Chairman

As Chairman of the Nomination Committee, I am pleased to report on the activities of the Committee for the reporting period. I was appointed Chairman of the Committee at that time succeeding Tom Cross Brown, following a number of changes to the Board and executive management team. I am pleased to report that the new Board has the necessary strength, knowledge, skills and experience to successfully deliver the merger, together with the Group's strategic and business plans.

This year it will oversee a streamlining of the Board and the executive team, while demonstrating a commitment to developing talent and improving competition for internal roles.

Succession planning will form an integral part of the Board's strategy deliberations and as such the Nomination Committee has a clear focus on both facilitating and delivering progress on this. The Committee has commenced a rigorous process to ensure that succession plans for each Board, executive team and senior management are in place and which can be implemented on a contingency and longer term basis.

Committee members

The membership of the Committee changed at the date of the acquisition of Partnership, with Steve Melcher leaving the Committee and myself, Paul Bishop, Ian Cormack and Michael Deakin joining Tom Cross Brown and Keith Nicholson.

Role of the Committee

The role of the Nomination 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 Nomination Committee comprises of six Non-Executive Directors, all of whom are deemed independent during the period. The Committee meets at least twice a year and the CEO and the Group Chief Operating Officer are normally invited to attend meetings. The Group Company Secretary is Secretary to the Committee. Members' biographies are set out on page 50 to 53.

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

Appointments policy and process

When considering Board appointments the Board follows formal and transparent procedures to ensure that appointments of Directors 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 skills, knowledge and experience of its existing members, the diversity of the Board and the on-going requirements and strategic developments of the Group. The search process is then able to focus on appointing a candidate that will complement and enhance the Board's effectiveness and overall performance.

The Committee uses the services of search firms to identify appropriate candidates. The Committee will only use those firms that have adopted the voluntary Code of Conduct addressing gender diversity and best practice in search assignments. No firms have been retained during the current reporting period.

A "long list" of potential appointees is reviewed followed by the shortlisting of candidates for interview based upon the objective criteria set out in the agreed role specification. Non-Executive appointees must be able to demonstrate that they have sufficient time available to devote to the role and prior to appointment all prospective Directors must identify whether they have any potential conflicts of interest.

Short listed appointees are interviewed by the Chairman, other Committee members and the CEO. The Committee recommends a preferred candidate who is invited to meet other Board members. Finally, detailed external references are taken and following this the Committee makes a formal recommendation to the Board on the appointment.

The Nomination Committee has met formally on four occasions during the period and considered in addition to the succession plans set out above:

- The proposed changes to the Board following the acquisition of Partnership Assurance Group;
- the effectiveness review of the Board, its Committees, the Chairman and individual Directors which was conducted through an externally facilitated process;
- 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;
- recommending to the Board that each of the Directors be proposed for election by shareholders at the Annual General Meeting on 18 May 2017. 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; and
- over the coming year, the Committee will continue to focus on Board succession planning and talent development.

On behalf of the Nomination Committee.

Chris Gibson-Smith
Chairman, Nomination Committee

Governance

Audit Committee Report



Statement from the Audit Committee Chairman

As Chairman of the Audit Committee, I am pleased to report on the activities discharged by the Committee during this reporting period. I was appointed as Chairman of the Audit Committee taking over from Keith Nicholson on 4 April 2016 and throughout the period our activities continued to focus on the integrity of the financial reporting of the new Group and the appropriateness of the internal controls in the context of the significant integration activities which followed the merger.

In particular the Committee oversaw the alignment of actuarial and accounting bases of the new Group following the acquisition of Partnership and the acquisition balance sheet and the pro forma and IFRS results. Having conducted a thorough review of the significant financial judgements and financial statement assumptions made in preparation of the Annual Report and Accounts, the Committee is satisfied that the 2016 Annual Report and Accounts are fair, balanced and understandable.

The Committee also conducted a review of the current external audit arrangements and agreed with the approach and with the recommendations made by the management team led by the Group Chief Financial Officer to appoint a single firm of external auditors for the year end 2016. This resulted in a tender process, the execution of which was delegated to a sub-committee and which concluded with the recommendation to the Board of the appointment of KPMG LLP (“KPMG”) as the preferred audit firm for the new Group. I recused myself from this process given my previous association with KPMG.

The Committee invited to its meetings members of the Executive team and other senior managers to present reports on their areas of responsibility and provided effective challenge and debate. The external auditors were also invited to the meetings to report on their work and had direct access to myself and the Committee to raise any concerns. As Chairman I also held regular one-to-one meetings with the Group Chief Financial Officer, the Director of Group Finance, the Group Chief Actuary and the Group Regulatory and Audit Director to ensure that all significant areas of internal controls, including financial reporting controls, were given appropriate consideration.

Role and responsibilities

The Committee's key role is to provide effective governance and assurance over the Group's financial reporting, the performance of the internal audit function, the external auditor, and the management of the Group's systems of internal financial controls and related compliance activities.

The Audit Committee is focussed on the integrity of the Group's financial reports. The Audit Committee liaises closely with the Risk and Compliance Committee through some cross membership and close cooperation of the Chairmen, which ensures that audit work is focussed on higher risk areas and that the results of internal and external audit work, can be used to inform the work of the Risk and Compliance Committee.

Committee composition

The Committee members have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and include appropriate life insurance accounting expertise. The Board considers that the Committee Chairman has recent and relevant financial experience as required by the UK Corporate Governance Code (the “Code”).

The membership of the Committee changed at the date of the acquisition of Partnership, with Kate Avery and Michael Deakin leaving the Committee and Paul Bishop and Clare Spottiswoode joining. The Committee was chaired by Keith Nicholson up to the date of the Partnership acquisition, with Paul Bishop taking on the role of Chairman on 4 April 2016.

Summary of meetings during the year

The 18 month accounting period included the production of two sets of interim reports, as well as the Annual Report for the period ended 31 December 2016. The Committee held seven formal meetings during the period, plus one additional ad hoc meeting, and one Working Group. The matters covered relating to the Group's financial reporting, external audit and internal audit are as follows:

Financial reporting

- The Group's Annual Report and Interim Reports.
- The actuarial assumptions used by the Group which have the most material impact on the Group's results.
- The alignment of actuarial and accounting bases across the enlarged Group following the acquisition of Partnership and the acquisition balance sheet.
- The main accounting assumptions and any key judgements including the going concern basis, longer term viability assessment and the accounting for goodwill and intangibles.

External audit

- Regular reports from the external auditor including meetings with the audit engagement partner without the presence of management.
- The 2016 period end audit work plan including the scope of the audit and the materiality levels adopted by the auditor.
- The independence of the external auditor including approval for the use of non-audit services provided by them.
- The effectiveness of the audit process.
- The reappointment, remuneration and engagement letter of the external auditor.

Governance

Audit Committee Report continued

Internal audit

- The annual plan from the Group Regulatory and Audit Director, regular updates on internal audit work carried out and his end of year report.

2016 financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditor the appropriateness of the interim and annual financial statements concentrating on, amongst other matters:

- The quality and acceptability of accounting policies and practices;
- the appropriateness and clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor; and
- whether the Annual Report and Accounts, 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.

To aid our review, the Committee considers reports from the Group Chief Financial Officer, the Chief Actuary, and it also reviews reports from the external auditor on the outcomes of their half-year review and 18 month period audit. As a Committee we support KPMG in displaying the necessary professional scepticism its role requires.

The primary areas of judgement considered by the Committee in relation to the 2016 accounts, and how these were addressed, were:

The acquisition balance sheet of Partnership and alignment of accounting and actuarial bases

Management engaged an external firm to assist with the preparation of the acquisition balance sheet, in particular to assist with identification and valuation of intangible assets. The accounting policies and actuarial methodologies and bases used to produce the acquisition balance sheet and subsequent reporting were reviewed by management and proposals to align the previous Just Retirement and Partnership approaches were made. The Committee reviewed the reports of management and of the external firm and challenged the assumptions underpinning the production of the balance sheet.

The valuation interest rate used to calculate the Group's insurance liabilities, reinsurance assets and deposits from reinsurers

The return on bond assets is adjusted for valuation purposes for insurance liabilities, reinsurance assets and deposits from reinsurers to allow for credit risk for each bond by considering the "spread" – the difference between the gross redemption yield and the yield on an equivalent duration "risk-free" reference instrument. The Group sets the credit risk as a fixed minimum component plus a percentage of the spread, calibrated significantly in excess of historic default rates, which are provided by the leading rating agencies.

Assumptions on Retirement income policyholder and equity release longevity

The length of time the Group's Retirement Income customers and equity release mortgage holders will live and therefore the projected cash flows for Retirement Income and mortgage assets are key assumptions when setting the Group's insurance liabilities. Longevity experience is a key area of focus for the Board, and the Committee, through the Board, receives regular reports on the actual against expected number of deaths and the likely causes, by condition, of any positive or negative divergence. Following the acquisition of Partnership, the Company is undertaking a comprehensive review of Retirement Income customer longevity which is not yet completed.

The property assumptions used to value the Group's equity release assets

The value of the Group's equity release assets, which are largely in the form of roll-up mortgages, are reliant on a range of assumptions as to future house-price growth and the volatility of house prices which determine the cost of the "No negative equity guarantee" which is given to all mortgagees.

The Committee addresses both the methodology underpinning these valuations and their calibration by reviewing and challenging the detailed analysis and recommendations put forward by the Deputy Chief Executive Officer in the period end and interim basis papers, which are also reviewed by KPMG as part of their audit. Where appropriate, the Committee will also seek views of external experts and advisers.

External audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We receive a detailed audit plan from KPMG, identifying its assessment of these key risks. For the 2016 reporting period the primary risks identified were in relation to the valuation of insurance liabilities, acquisition accounting, equity release asset valuation, reinsurance assets and liabilities, investments and fraud risks including revenue recognition and management override of controls. We challenged the work done by the auditors to test management's assumptions and estimates around these areas. We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from KPMG at the interim and period end. In addition we also seek feedback from management on the effectiveness of the audit process. For the 2016 reporting period, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Audit Committee concurred with the view of management.

Auditor independence

The Committee believes that the independence of the external auditor is one of the primary safeguards for shareholders. The Committee reviewed audit independence and the scope of non-audit services and independence safeguards with KPMG. As part of this review, the Committee has received and reviewed written confirmation that, in KPMG's professional judgement, KPMG is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

An analysis of auditor remuneration is shown in note 5 to the consolidated financial statements. The Committee was satisfied throughout the period that the objectivity and independence of KPMG was not in any way impaired by the nature of the non-audit services undertaken during the period, the level of non-audit fees charged or any other facts or circumstances. The Group has a policy on the provision by the external auditor of audit and non-audit services, and during 2016, KPMG was paid £2.529m for non-audit services. The majority of these services (£2.425m) related to the acquisition of Partnership. These services included support for the preparation of the shareholders' circular and court scheme documents, as well as assistance with management's due diligence reviews. The remainder of the non-audit services is largely in respect of taxation advice which was completed prior to the period end. These services were, in the opinion of the Committee, more efficiently provided by KPMG than other comparable firms due to it having obtained recent expertise during the Just Retirement IPO.

Audit tender

There were two drivers for carrying out an audit tender process during the current financial year.

Firstly, in its 30 June 2015 Report & Accounts Just Retirement Group plc ("JRG") noted that the Group's external auditors, KPMG, had been in office since 2006. In light of European regulations, the JRG Audit Committee reviewed the appointment of external auditors and concluded that 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 ended 30 June 2017.

Secondly, the acquisition by JRG of Partnership Assurance Group plc ("PAG") in April 2016 to create JRP Group plc ("JRP") meant that the audit of JRP and its subsidiaries was now carried out by two separate firms; KPMG who were auditors of JRP and the JRG legacy subsidiary companies, and Deloitte LLP ("Deloitte") who were the auditors of PAG and its subsidiaries.

These two factors gave rise to a clear need to move to a single external audit provider as quickly as possible so as to have a single auditor in place for JRP's Annual Report as at 31 December 2016.

It was noted that Paul Bishop, Audit Committee Chairman, had retired as partner at KPMG in January 2014. Therefore, he recused himself from the tender process and the decision on selection of auditor and the Committee appointed Clare Spottiswoode to chair the sub-committee that oversaw the tender process.

The Audit Committee sub-committee oversaw and agreed the approach to the tender to be taken by management with the appointment of an operational decision making team overseen by Clare Spottiswoode. This team was responsible for managing the tender process and making recommendations to the Audit Committee.

Eight firms were invited to tender. Following a robust review process and consultation with major institutional shareholders, the Audit Committee made the recommendation to the Board and KPMG was selected as Group auditor.

Tenure of external auditor

The appointment of KPMG as the Group's external auditor is kept under review. KPMG has audited the Group since the 2006 year end.

The current audit partner will have served five years on the engagement and is due to rotate off the audit after the 2016 period end.

The Committee has approved KPMG's remuneration and terms of engagement and is fully satisfied with the performance, objectivity, quality of challenge and independence of the external auditor.

The Committee will review the tenure of the auditor in 2017, and will continue to comply with the Code and extant regulations on audit tendering.

The Committee believes that, when a tender takes place, those asked to tender should have an equal chance of being appointed auditor. The Company therefore intends, where appropriate, to use audit firms other than KPMG for non-audit services so that relationships are enhanced with those firms capable of performing the role of external auditor. The Committee will seek, with management, to ensure that there are no contractual obligations which restrict the Committee's choice of auditor.

Risk management and internal control

The Board has overall responsibility for establishing and maintaining the Group's systems of internal financial control. The Audit Committee keeps under review the adequacy and effectiveness of the Group's internal financial controls and the project planning for significant changes in financial systems controls. Non-financial controls are considered by the Group Risk and Compliance Committee.

The Committee has reviewed the effectiveness of the Group's internal financial control systems based on reports from the Head of Internal Audit and the Group Chief Financial Officer.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. The Committee considers and approves the internal audit plan annually and looks to ensure its alignment with the external audit and the Group's risk management approach. Reports from the Head of Internal Audit include updates on audit activities, progress of the internal audit plan, the results of any unsatisfactory audits and the action plans to address these areas. The Committee reviews the resource requirements of the Internal Audit department and is satisfied that it has the appropriate resources. We hold private discussions with the Head of Internal Audit as necessary during the year and the Committee Chairman also meets with him regularly outside the formal committee process and is responsible for his performance appraisal and setting his annual objectives.



Paul Bishop
Chairman, Audit Committee

Governance

Risk and Compliance Committee Report



Statement from the Risk and Compliance Committee Chairman

As Chairman of the Committee I am pleased to report on the Risk and Compliance Committee's activities for the period under review. The Committee oversees all aspects of risk management and financial services regulation for the Group.

The Committee has experienced an intense period of activity during the period having considered not only the risks associated with the merger and the integration of the two legacy companies but also including those risks associated with the significant work undertaken in the prudential sphere in preparing for, implementing, and embedding the new Solvency II regime. This latter activity included reviewing the methodology and calibration of the internal model, receiving reports on the independent validation of the model, monitoring progress towards the Prudential Regulation Authority's approval of the model and reviewing the Group's Own Risk and Solvency Assessment.

The Committee has supported the Board by providing leadership, direction and oversight of the Group's overall risk appetite, risk tolerance and risk management framework. In doing so, the Committee has played a key role in delivering effective oversight of the risks inherent in the business. In addition the Committee has been responsible for reviewing and recommending to the Board the Group's regulatory and internal control policies and procedures and the compliance monitoring plan.

The report that follows gives a high level overview of the principal matters covered during the reporting period.

Roles and responsibilities

The Committee's key roles and responsibilities include the review and recommendation to the Board of the Group's overall risk appetite, strategy and monitoring the overall effectiveness of the risk management framework, governance and compliance activity within the Group. In reviewing the Group's risk exposures, it ensures that these are adequately mitigated by the risk methodologies and management's actions. The Committee is also responsible for the effectiveness of the Internal Model related to the implementation of the Solvency II regime requirements and for recommending any changes to the Model to the Board.

Committee composition

The membership of the Committee changed immediately upon completion of the merger, with Chris Gibson-Smith, Ian Cormack and Clare Spottiswoode joining Keith Nicholson, Tom Cross Brown and Steve Melcher. Keith Nicholson also accepted the role of Chairman on 4 April 2016, succeeding Steve Melcher. All the six members of the Committee are Non-Executive Directors. Regular attendees include both Executive and other Non-Executives Directors including the Chairman of the Audit Committee, the Chairman of the Investment Committee of the Life Companies of the Group, the Group Chief Executive Officer, the Group Deputy Chief Executive Officer, the Group Chief Risk Officer, the Group Chief Actuary and the Group Regulatory and Audit Director. Senior managers are also invited to attend the meetings to report as appropriate on their areas of responsibility.

The Committee has a standing agenda based on the annual cycle of business covering all areas of its responsibility. Regular discussions are also held independently by the Chairman with the Group Chief Risk Officer and the Group Regulatory and Audit Director to ensure that all significant areas of risk are considered.

Summary of meetings during the period

The Committee met formally on four occasions during the period since the merger, with an additional two meetings held on an ad hoc basis to brief Directors on the internal model. The main areas considered and activities undertaken by the Committee related in particular to:

Solvency II

The Committee considered the Group's Internal Model application and reviewed two new risk calibrations to extend the already approved Internal Model of the acquirer Group to the acquiree Group companies. For this reason the Committee discussed and reviewed the matching adjustment application for the life company of the acquired Partnership Group Company and made recommendations to the Board in respect of its submission to the PRA.

The Committee also considered the first Own Risk and Solvency Assessment report for the new combined Group which provided a forward-looking assessment of the risk and capital position of the new Group. In addition to the challenges of the merger and subsequent work to integrate the businesses, the Committee discussed the Group's regulatory capital position in a Solvency II world. Potential implications of Brexit for the UK life insurance industry in general and the Group in particular were assessed. Discussions took place on the outlook of the risks emerging post-referendum to identify any additional monitoring or actions required but not yet established by the Group, including considering the request of special reports from external sources to supplement the information gathered by management.

Risk appetite

The Committee reviewed the Group's risk appetite for each of the core risks used to meet the Group's strategic objectives and business plan and discussed the risk appetite expressions. A new proposal for the risk appetite was presented by the Group Chief Risk Officer. This took into account the expectations of the Board given the Group is a growing franchise. The Committee concluded following its discussion and final review that the risk statements and the measures adopted were appropriate and recommended their approval to the Board. The Committee also monitored the delivery of the Group's business plan against the agreed appetite for each core risk.

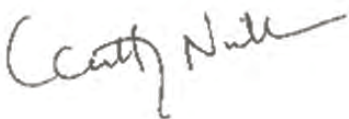
Risk management

The Committee reviewed the new Risk Management Framework which was based on the established risk frameworks of the two merged Groups. The Committee also reviewed the risk management and compliance policies and approved changes where appropriate for recommendation to the Board. The whistleblowing policy and procedures were also reviewed to ensure that arrangements were in place for a proportionate and independent investigation of possible improper financial conduct. The Chairman of the Audit Committee was identified as the Whistleblowers' Champion.

The Committee considered the report presented by the Group Chief Digital Information Officer on the review of the current business practices in respect of IT, operations and cyber issues. It also received updates on the restructuring of the IT division. In particular the Committee assessed the progress made on ensuring that appropriate steps were in place to ensure the whole business was aware of the role in preventing cybercrime and that controls to identify and prevent breaches of cyber security were in place.

Financial Services regulation

The Committee reviewed regular reports on conduct and compliance and reports on management's dialogues with the PRA and FCA aimed at better understanding the areas of focus for the regulators and how these might influence the oversight role of the Committee. Updates were also provided on the outcome of the regular and specific meetings of the Chairman with the PRA to develop a good working relationship with the regulator. The Committee also received updates on the regulatory outlook and key developments affecting the business.

**Keith Nicholson**

Chairman, Group Risk and Compliance Committee

Governance

Directors' Remuneration Report



Statement from the Chairman of the Remuneration Committee

I am pleased to present the Remuneration Committee's report for the 18 month period ended 31 December 2016.

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 66 to 74 which describes the key principles of our approach and will be put to a binding vote at the forthcoming AGM; and
3. The Annual Report on Remuneration on pages 74 to 85 which describes how the Committee applied the remuneration policy. Given the extended financial year, the Committee has operated the policy in two separate periods; 1 July – 31 December 2015 and 1 January – 31 December 2016. Information about the key decisions made have been reported in each period and are presented in separate parts of this report.

The strategic context

As has been highlighted during the merger process, JRP intends to use its combined intellectual property and greater scale to accelerate the strategies of Just Retirement and Partnership Assurance, allowing the business to sustain its position in the rapidly developing retirement income market, generating improved outcomes for customers and strong returns for investors. The combined Group will offer scale and growth in attractive segments, provide a more efficient distribution, provide synergy potential, high quality cash generation and enhanced capital position. The strategy for the Group is set out in the Strategic Report and focuses 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.

Remuneration Policy

In Just Retirement Group plc's 2015 remuneration report we noted that the remuneration policy for the Group would be reviewed following completion of the merger with Partnership Assurance Group plc. This review has resulted in a number of changes to the policy to be proposed at the AGM in May 2017. These are relatively minor in nature and reflect developments in market and best practice and include:

- Replacement of Adjusted Operating Profit with adjusted Earnings Per Share as a performance target for future awards made under the Long Term Incentive Plan ("LTIP");

- the introduction of a post-vesting holding period for future awards made under the LTIP; and
- an increase in the share ownership guidelines to 200% of salary for all Executive Directors.

The Committee is satisfied that the framework set out in the policy supports our 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.

Remuneration in 2015

In respect of the period 1 July to 31 December 2015, bonuses of between 136.1% and 143.7% of six months salary were awarded to the Executive Directors. This reflected performance against the corporate financial targets (Adjusted Operating Profit and Value of New Business) and individual non-financial measures. In line with the Policy, two-thirds of bonus earned was paid post-tax in cash and one-third deferred into shares for three years. An overview of objectives, performance indicators and the resultant bonuses paid to the Executive Directors can be found on pages 75 to 85.

As outlined in Just Retirement Group plc's 2015 remuneration report, long-term incentives were awarded to Executive Directors in November 2015. These awards are subject to performance targets based on Adjusted Operating Profit Growth and Relative Total Shareholder Return.

Remuneration in 2016

2016 has been a year of considerable change for the Group against which we have delivered an excellent set of results. We are ahead of schedule in integrating the two businesses, with progress helped by the significant similarities between the two companies and by the strong management team that we have appointed to help deliver the opportunities before us. The Group is focused on growing profits and delivering simple to understand, good value products and services to our retail and wholesale customers.

Remuneration practices in 2016 were focused primarily on reviewing the Remuneration Policy for the merged Group, reviewing the remuneration arrangements of the Executives of the merged Group and our variable pay plans. During the year, the Committee reviewed the salaries of our senior employees including our three Executive Directors' in light of the increased size and complexity of the Group which has grown from total assets of £11.2bn to £23.9bn at 31 December 2016 and from 769 employed to 1045 as at 31 December 2016; and the performance of the Executives in leading the integration of the two companies following the merger. Increases of 5% were awarded to Rodney Cook and Simon Thomas and an increase of 1.7% was awarded to David Richardson. The salaries of Rodney Cook and Simon Thomas remain below the Committee's assessment of a competitive level for their current roles and below the level of their counterparts previously at Partnership and the Committee will keep these under review with a view, subject to ongoing performance, to moving them to a market position over time.

Bonuses of between 143.8% and 147.5% of salary were awarded to the Executive Directors for the period 1 January to 31 December 2016. This reflected performance against the corporate financial targets (Adjusted Operating Profit, New Business Profit and Merger Synergy Savings) 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 to 85.

When two companies merge there are many issues that need to be resolved. Combining two different remuneration programmes is one of those issues and the Committee has spent much of its year addressing this task. Harmonising external benchmarks, plus internal performance measures and targets, evaluation practices and contractual terms has been a necessary stage in the integration process. In addition, the harmonisation of what were two different financial reporting dates into one has impacted the application of certain remuneration programmes, notably the Long Term Incentive Plan granting process as described below.

In order to take account of the change to the Company's year end from 30 June to 31 December, the Remuneration Committee reviewed the timing of the annual grant of long-term incentive awards. These are normally granted after the announcement of the Company's preliminary results, which in previous years was typically in late September of each year. In order to align the grant of long-term incentives with the 31 December year end, the 2016 grant was therefore made in late April 2016, shortly after completion of the merger. For these awards, in order to incentivise the rapid and efficient integration of the two businesses, the Committee decided to introduce an additional measure linked to achievement of cost synergies over the next three years. Further details of these measures are provided later in this report. Before granting these awards, we consulted with more than 50% of shareholders and received positive feedback. In addition, in order to ensure the management team was fully aligned with the targets, our shareholders and with each other, the Committee determined that awards at the normal maximum level permitted under our policy should be granted. As a result of this and the change of timing in the grant of awards, the aggregate value of awards granted to the former Executive Directors of Just Retirement are greater than the level that might normally be expected under the Policy in an 18 month period. The Committee is aware that this situation is anomalous and wishes to make shareholders aware that when determining award levels for the grant of the 2017 LTIP later in the year it will seek to ensure that, when considered over the 30 month period from 1 July 2015 to 31 December 2017, the aggregate level of awards granted is appropriate.

During the period, awards made under the LTIP in 2013 vested in November 2016. The Remuneration Committee agreed that for the 50% of the award that was subject to TSR performance targets were not met, and that 50% of the award subject to the adjusted operating profit targets were met, resulting in commensurate vesting. Further details can be found on page 78.

Group Chief Executive Officer total remuneration

In line with regulatory requirements the total remuneration table contained within the Annual Report on Remuneration covers the financial period 1 July 2015 to 31 December 2016. During this period, Rodney Cook received remuneration in respect of the two periods as follows:

1 July – 31 December 2015	£760,146
1 January – 31 December 2016	£1,867,822

Implementation of the Remuneration Policy for 2017

In recognition of the performance the Group has achieved, the Remuneration Committee agreed that a salary review would take place with effect from 1 April 2017. The level of awards for the Executive Directors and senior management and that for the general workforce has not yet been determined.

The Committee has reviewed performance targets for the LTIP and proposes to replace Adjusted Operating Profit with Adjusted Earnings Per Share for future awards made under the LTIP which rewards improvement in the Group's underlying performance, is a measure of the Group's overall financial success and is visible to shareholders.

Conclusion

We are committed to ensuring that remuneration practices support the long-term success of the Group and reward performance that is aligned with outcomes for shareholders.

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 period ended 31 December 2016.

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 will be put to shareholder vote at the forthcoming AGM. 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 Group Chief Executive Officer, 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;

Governance

Directors' Remuneration Report continued

- 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;
- 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;
- monitoring the remuneration and risk-management implications of remuneration of senior executives across the Group and senior staff in the risk, control and governance functions; and
- overseeing the implementation of the Group remuneration policy for those roles within the scope of the specific arrangements referred to in Article 275 of Solvency II.

The Committee's terms of reference are available on the Group's website and 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 Group 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 JRP'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.

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.

Key changes to the Policy

To reflect the change in the financial year, any base salary increases will be effective from 1 April.

For LTIP awards to be made in 2017 onwards two performance metrics will normally be used: relative TSR and growth in adjusted EPS. In addition a post-vesting holding period will apply. Executive Directors are required to retain the LTIP shares that vest (net of tax) for a period of two years. The two-year holding requirement will continue if they leave employment during the holding period. The shares held will count towards the Executive Director's normal holding requirement. Finally, the share ownership guidelines will increase to 200% of salary for all Executive Directors.

Remuneration components

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
Base salary	<p>Provides a competitive and appropriate level of basic fixed pay to help recruit and retain Directors of a sufficiently high calibre.</p> <p>Reflects an individual's experience, performance and responsibilities within the Group.</p>	<p>Set at a level which provides a fair reward for the role and which is competitive amongst relevant peers.</p> <p>Normally reviewed annually with any changes taking effect from 1 April.</p> <p>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.</p> <p>Reference is also made to salary levels amongst relevant insurance peers and other companies of equivalent size and complexity.</p> <p>The Committee considers the impact of any basic salary increase on the total remuneration package.</p>	<p>There is no formal maximum; however, increases will normally be in line with the general increase for the broader employee population. More significant increases may be awarded from time to time to recognise, for example, development in role and change in position or responsibility.</p> <p>Current salary levels are disclosed in the Annual Report on Remuneration section</p>
Benefits and pension	<p>Provides competitive, appropriate and cost-effective benefits and pension.</p>	<p>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.</p> <p>The benefits provided may be subject to minor amendment from time to time by the Committee within this Policy.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
Short Term incentive plan ("STIP")	<p>Incentivises the execution of annual goals by driving and rewarding performance against individual and corporate targets.</p> <p>Compulsory deferral of a proportion into Group shares provides alignment with shareholders.</p>	<p>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 normally determine at least two-thirds of the STIP opportunity.</p> <p>One-third (or such higher proportion as has been determined by the Committee) of any bonus earned will be deferred into awards over shares under the Deferred Share Bonus Plan ("DSBP"), with awards normally vesting after a three-year period.</p> <p>The Committee has the discretion to adjust the deferral percentage if required to comply with future regulatory requirements relevant to the insurance industry.</p> <p>The Committee has the authority to apply a malus adjustment to all, or a portion of, an outstanding award in specific circumstances. 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. These provisions apply to both the cash and deferred elements of the STIP.</p>	<p>The on-target bonus payable to Executive Directors is 75% of base salary with 150% of base salary the maximum payable.</p> <p>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.</p> <p>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.</p>

Governance

Directors' Remuneration Report continued

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
Long Term incentive plan ("LTIP")	<p>Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders.</p> <p>Facilitates share ownership to provide further alignment with shareholders.</p> <p>Granting of annual awards aids retention.</p>	<p>Annual awards of performance shares¹ normally vest after three years subject to performance conditions and continued service. Performance is normally tested over a period of at least three financial years.</p> <p>Awards are normally subject to an absolute financial growth measure and Total Shareholder Return ("TSR") relative to the constituents of a relevant comparator index or peer group.</p> <p>25% vests at threshold under the financial growth measure. 25% vests at median for the relative TSR condition. There is straight-line vesting for performance between threshold and maximum.</p> <p>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.</p> <p>The Committee has the authority to apply a malus adjustment to all, or a portion, of an outstanding award in specific circumstances. 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.</p> <p>A post-vesting holding period will apply to Executive Directors for awards made in 2017 and beyond. Executive Directors are required to retain the LTIP shares that vest (net of tax and NICs) for a period of two years. The two-year holding requirement will continue if they leave employment during the holding period. The shares held will count towards the Executive Director's normal holding requirement.</p>	<p>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.</p> <p>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.</p>
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.	<p>Each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary.</p> <p>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.</p>	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 are 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 measures include 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 awards granted in 2017 onwards, it is intended that the financial growth measures will be based on growth in adjusted Earnings Per Share as it rewards improvement in the Group's underlying financial performance and is a measure of the Group's overall financial success and is visible to shareholders.

A sliding scale of challenging performance targets is set for all 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 on-going 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.

Governance

Directors' Remuneration Report continued

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 Director 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. At the Company's discretion a payment in lieu of notice ("PILON") may be made. Such PILON payments will normally be phased and subject to mitigation. The Group may choose to continue providing some benefits instead of paying a cash sum representing their cost.

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

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 at 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 and DSBP

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 section.

Illustration of the 2017 Remuneration Policy

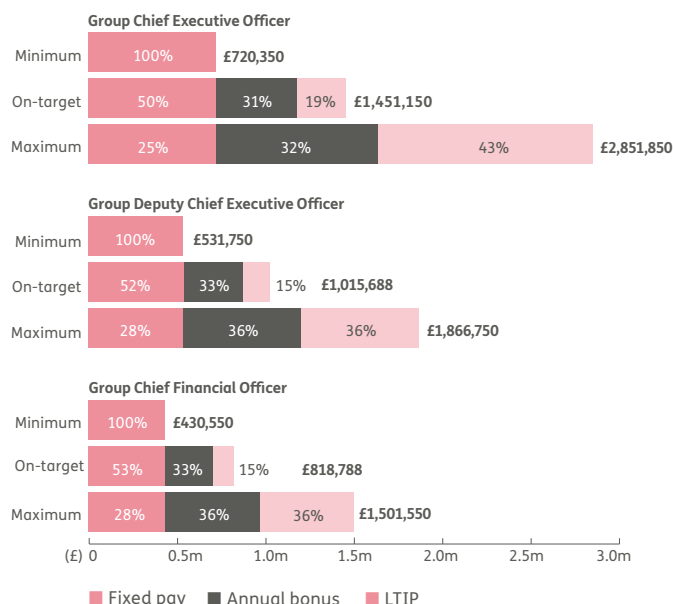
Under the Directors' Remuneration Policy, a significant proportion of total remuneration is linked to Group performance. The following charts illustrate how the Executive Directors' total pay package varies under three different performance scenarios: fixed pay only, on-target and at maximum. These charts 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 award¹
- Maximum = fixed pay plus 100% or maximum payout of the STIP and LTIP awards¹

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.

Illustration of 2017 Remuneration Policy



1 Awards under the LTIP can be up to 250% of base salary; however, the normal policy is that awards made to the Group Chief Executive Officer and other Executive Directors are 200% and 150% of base salary respectively. The normal policy figures have been used in the charts above.

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.	<p>The Chairman is paid a single fixed fee. The Non-Executive Directors are paid a basic fee. The Chairs of the main Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Additional fees may be paid where in exceptional circumstances the normal time commitment of the Chairman is significantly exceeded in any year.</p> <p>Reviewed periodically by the Committee and Group Chief Executive Officer for the Chairman, and by the Chairman and Executive Directors for the Non-Executive Directors.</p> <p>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.</p> <p>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.</p> <p>The Non-Executive Directors will not participate in the Group's share, bonus or pension schemes.</p>	<p>The Company's Articles of Association place a limit on the aggregate fees of the Non-Executive Directors of £1m p.a.</p> <p>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.</p> <p>Current fee levels are disclosed in the Annual Report on Remuneration section.</p>

Governance

Directors' Remuneration Report continued

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.

Annual Report on Remuneration

This part of the Directors' Remuneration Report sets out a summary of how the Directors' Remuneration Policy was applied over the extended financial period ending 31 December 2016 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. As outlined in the Committee Chairman's annual statement, for the purpose of operating the Policy the extended financial year was divided into two periods being 1 July 2015 to 31 December 2015, and 1 January 2016 to 31 December 2016.

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

Operation of the Remuneration Committee during the 18 month period ended 31 December 2016**Members of the Remuneration Committee**

The Committee is made up exclusively of Independent Non-Executive Directors. The Committee is chaired by Ian Cormack (appointed on 4 April 2016) and its other members are Chris Gibson-Smith (appointed on 4 April 2016), Michael Deakin (appointed on 23 March 2015), and Steve Melcher (appointed on 4 April 2016). The following Non-Executive Directors resigned on 4 April 2016, Kate Avery, Tom Cross Brown and Keith Nicholson.

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 £82,879. The fees charged are predominantly charged on a "time spent" basis.

Internal assistance provided to the Committee

The Group Chief Executive Officer (Rodney Cook) and other senior management (Jane Kennedy, Group Chief Operating Officer and Alex Duncan, Group 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.

Total remuneration (audited)

In line with regulatory requirements the total remuneration table contained within the Annual Report on Remuneration section covers the financial period 1 July 2015 to 31 December 2016. Although we are reporting on an 18 month period, the Remuneration policy was operational in two separate periods and to assist with understanding we have broken down the elements of the report into those two periods: 1 July – 31 December 2015 and 1 January – 31 December 2016.

2015 (1 July to 31 December 2015)**Executive Directors' STIP targets**

For the six months of 1 July 2015 to 31 December 2015 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. While the specific targets are considered by the Board to be commercially sensitive information, ranges were set.

The performance outcome against the targets set for the STIP in 1 July 2015 to 31 December 2015 was as follows:

						Results (% of six months salary)			
Measure	Threshold	Target	Maximum	Weighting as a percentage of six months salary	Actual	Rodney Cook	Simon Thomas	Shayne Deighton	
Pre-tax adjusted Operating Profit	£28m	£32m	£37m	50.0	£45m	50%	50%	50%	
Value of New Business	£37m	£42m	£48m	50.0	£85m	50%	50%	50%	
						Rank	Rank	Rank	
Strategic						Lead investor, media and analysts' briefings and ensure a successful equity raise as part of the merger	EX Provide clear direction and active management of Investor expectations ahead and in the light of the pending merger	EX Manage capital and pricing through the transition from Solvency I and Solvency II, including review of hedging programs and calculation of Transitional Adjustments	EX
Leadership						Provide leadership consistent with JRP values. Lead the merger project and discussions on integration terms and respond to market changes	EX Investigate, manage and lead planning for a capital markets equity raise	A Manage relationship with key reassurers through the merger process	A
People, talent and engagement						Work to maintain morale and the Group's excellent customer service reputation during the period of uncertainty caused by the merger announcement	EX Develop the talent within the finance function, so they are an increasingly professional senior team, able to support the combined entity	EX Motivate and engage actuarial and capital management staff through the difficult period of Solvency II and merger finalisation	A
Risk/ regulatory/ compliance						Maintain a successful ongoing relationship with all regulators in the lead up to merger. Work to achieve a positive outcome from the Competition Review of the merger	A Manage the delivery of all key financial information for the merger including the prospectus, working capital and capital raise circular	EX Deliver full and timely response to PRA so as to ensure regulatory approval for both Matching Adjustment and Internal Model for Solvency II go-live on 1 January 2016	EX

Governance

Directors' Remuneration Report continued

Measure	Threshold	Target	Maximum	Weighting as a percentage of six months salary	Actual	Results (% of six months salary)			
						Rodney Cook	Simon Thomas	Shayne Deighton	
Financial Management						Ensure risk management approach is enhanced and timely submission of all necessary documentation to achieve approval of the Group's Solvency II Internal Model application	EX Deliver Group financials for the combined entity and develop key combined financial metrics for the JRP Group. Initiate the creation of a combined Business Plan that can be used to manage internal and external expectations following the merger	EX Deliver all actuarial/capital information in relation to the merger including, in particular, working capital projections	EX
Total percentage of salary on personal non-financial performance measures from maximum opportunity of 50%						43.8%	35.9%	43.5%	

Rank – Below (B), Met (M), Above (A), Exceeded (EX)

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

2015 LTIP awards (Audited)

	Date of grant	Type of award	% of salary at grant	Number of shares ¹	Face value ¹	Threshold vesting ²	End of performance period ²
Rodney Cook	6 November 2015	nil-cost options	200% of £580,000	706,025	£1,160,000	25%	30 June 2018
Simon Thomas	6 November 2015	nil-cost options	150% of £340,000	310,407	£510,000	25%	30 June 2018
Shayne Deighton	6 November 2015	nil-cost options	150% of £340,000	310,407	£510,000	25%	30 June 2018

1 Awards were granted at a share price of 164.3p 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 of the award is subject to growth in the Group's adjusted operating profit. If adjusted operating profit for the twelve months ending 30 June 2018 exceeds adjusted operating profit for the financial year ending 30 June 2015 by 7.5% p.a. (equivalent to 29.5% cumulative growth), 25% of the award will vest. The award will vest in full for growth of 15% p.a. (equivalent to 64% cumulative growth) with payment on a sliding scale in-between these points. No award will vest if cumulative growth is below 29.5%. 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 between these points. None of these awards will vest if TSR is below the median.

2016 (1 January to 31 December 2016)

Executive Directors' STIP targets

For 2016 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. While the specific targets are considered by the Board to be commercially sensitive information, ranges were set. The performance outcome against the targets set for the STIP in 2015/16 was as follows:

Measure	Threshold	Target	Maximum	Weighting as a percentage of salary	Actual	Results (% of salary)		
						Rodney Cook	David Richardson	Simon Thomas
Pre-tax adjusted Operating Profit	£100m	£115m	£130m	33.3%	£157m	33.3%	33.3%	33.3%
IFRS New Business Profit	£85m	£100m	£115m	33.3%	£123m	33.3%	33.3%	33.3%
Synergy Savings	£15m	£20m	£25m	33.3%	£30m	33.3%	33.3%	33.3%

Measure	Threshold	Target	Maximum	Weighting as a percentage of salary	Actual	Results (% of salary)						
						Rodney Cook		David Richardson		Simon Thomas		
						Rank		Rank		Rank		
Strategic						Develop partner relationships as part of the enhanced merged company strategy and ensure the business is fit for purpose to deliver against the approved strategy	EX	Support development of overall strategy for JRP. Lead development of financial framework and reinsurance strategy for the new Group	A	Develop and build strong relationships with key investors and investment managers. Ensure appropriate management of expectations	EX	
Leadership						Provide leadership consistent with JRP values. Lead the merger integration and respond to market changes in the post Solvency II arena. Lead equity and debt, investor, media and analysts' briefings	EX	Provide leadership consistent with developing values of JRP Group. Lead Defined Benefit solutions team	A	Lead the development, reporting and presentation of results to the equity market particularly in the post-merger environment	EX	
People, Talent and Engagement						Support the new Executive team and senior management in tackling the significant changes required through the integration and responding to market dynamics	EX	Build best of breed teams for JRP. Support teams on delivering challenging performance objectives through disruption of merger	EX	Continue to develop a talented and engaged workforce, to deliver challenging performance objectives	A	
Risk/Regulatory/Compliance						Maintain a successful ongoing relationship with all regulators post-merger. Ensure risk management approach is enhanced and timely handling of new SII requirements	A	Maintain successful ongoing relationship with PRA through a time of significant change. Ongoing management of Matching Adjustment requirements	A	–		
Financial Management						–		Manage capital position successfully through time of significant business and economic change. Deliver investment strategy, particularly new requirements of Solvency II	EX	Develop the Group's debt capital and liquidity facility management	EX	
Total percentage of salary on personal non-financial performance measures from maximum opportunity of 50%						47.5%		43.75%		46.25%		

Rankings – Below (B), Met (M), Above (A), Exceeded Expectations (EX)

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

Governance

Directors' Remuneration Report continued

Vesting of LTIP awards with a performance period ending in 2016 (audited)

The awards for which the performance period ended during 2016 is as follows:

Award	Measure	Weighting	Vesting Scale	Performance achieved	% of this award vesting
2013	Adjusted operating profit	50%	No vesting if Adjusted Operating Profit ("OP") growth below 9% p.a., 20% vests if OP growth equal to 9% p.a., 100% vests if OP growth exceeds 18% p.a. Straight-line pro-rata basis from 20% to 100% if OP growth exceeds 9% p.a. but is less than 18% p.a.	15.65%	79.1%
	Relative TSR	50%	No vesting if TSR is below the median TSR, 25% vests if equal to median TSR, 100% vests at upper quartile. Pro-rata vesting between the median and upper quartile TSR (25% to 100%).	nil	nil

	Number of shares at grant	% vested	Number of shares vested	Number of shares lapsed	Share price at vesting (15 Nov 2016)	Value at vesting
Rodney Cook	503,218	39.5%	199,022	304,196	£1.294	£257,534
Simon Thomas	222,405	39.5%	87,961	134,444	£1.294	£113,822

2016 LTIP awards (Audited)

	Date of grant	Type of award	% of salary at grant	Number of shares ¹	Face value ¹	Threshold vesting ²	End of performance period ²
Rodney Cook	28 September 2016	nil-cost options	200% of £609,000	42,606	£58,000	25%	31 December 2018
	21 April 2016			852,126	£1,160,000		31 December 2018
David Richardson	28 September 2016	nil-cost options	150% of £443,000	6,060	£8,250	25%	31 December 2018
	21 April 2016			482,075	£656,250		31 December 2018
Simon Thomas	28 September 2016	nil-cost options	150% of £357,000	18,732	£25,500	25%	31 December 2018
	21 April 2016			374,641	£510,000		31 December 2018

- Awards were granted at a share price of 136.13p on grant made on 21 April 2016, and 28 September 2016, being the average of the middle-market quotations of shares over the five consecutive dealing days immediately prior to the date of grant. The grant of the 2016 LTIP awards was made on 21 April 2016, prior to the determination of salaries for the year. A further grant of awards was made in September 2016 to reflect the increased salaries. These awards will vest three years after grant subject to the same performance conditions as the April 2016 awards.
- 50% 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 between these points. None of these awards will vest if TSR is below the median. 25% of the award is subject to cost-synergy targets.
- 25% of the award is subject to growth in the Group's adjusted operating profit. If adjusted operating profit for the twelve months ending 31 December 2018 exceeds adjusted operating profit for the twelve months ending 31 December 2015 by 9% p.a. (equivalent to 29.5% cumulative growth), 25% of the award will vest. The award will vest in full for growth of 15% p.a. (equivalent to 64% cumulative growth) with payment on a sliding scale in-between these points. No award will be made if cumulative growth is below 29.5%.
- 25% of the award is subject to the Annual Synergy Savings Target. Where the Company's total pre-tax realised cost savings per annum over the performance period are at £40m, the Annual Synergy Saving Performance percentage shall be 25% (threshold). The Committee has set the 100% vesting level at a stretching target which is above the £45m recently advised to the market. Between each point, intermediate results shall be calculated by interpolation.

Payments made to past Directors during 2016 (audited)

In November 2016 Shayne Deighton received 87,961 vested shares from the 2013 LTIP which he exercised. The value at the date of vesting was £113,822.

Shayne Deighton was paid an STIP of £481,250 for 2016. This related to his service as an Executive Director and his continuing service after that date. An amount of £120,312 representing his service as an Executive Director has been included in the single figure remuneration table.

Payments for loss of office made during 2016 (audited)

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

STIP payment in respect of 1 July 2014 to 30 June 2015 (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:

Measure	Target range (threshold payout to maximum)	Weighting as a percentage of salary	Actual	Results (% of salary)		
				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%				
Total percentage of salary on personal non-financial performance measures from maximum opportunity of 50%				43.75%	33.25%	37.50%

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

Vesting of LTIP awards with a performance period ending in 2015 (Audited)

There were no awards vested during the period.

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 ²
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 adjusted 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 adjusted 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 between these points. None of these awards will vest if TSR is below the median.

Payments made to past Directors during 2015 (audited)

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

Payments for loss of office made during 2015 (audited)

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

Governance

Directors' Remuneration Report continued

Single figure of total remuneration (audited)

The table below has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. To aid comparison, the single figure of total remuneration for the CEO is also broken down on page 67 as a 6 month (1 July 2015 to 31 December 2015) figure and 12 month (1 January 2016 to 31 December 2016) figure:

£'000		Salary and fees	Benefits ¹³	STIP ⁸	Bonus ¹²	DSBP ⁸	LTIP ⁹	Employer pension contribution	Other ¹⁰	Total
Executive										
Rodney Cook ¹²	For the 18 months ended 31 Dec 2016	892	164	877	437	258	–	–	–	2,628
	For the year ended 30 June 2015	560	48	499	250	–	–	–	–	1,357
David Richardson ^{11,12}	For the 9 months ended 31 Dec 2016	332	65	318	160	–	–	–	–	875
Simon Thomas ¹²	For the 18 months ended 31 Dec 2016	523	111	502	251	114	–	–	–	1,501
	For the year ended 30 June 2015	330	43	271	136	–	–	–	–	780
Shayne Deighton ³	For the 9 months ended 4 April 2016	255	53	243	122	–	–	–	–	673
	For the year ended 30 June 2015	330	37	281	140	–	–	–	–	788
Non-Executive										
Chris Gibson-Smith ¹	For the 9 months ended 31 Dec 2016	188	–	–	–	–	–	–	–	188
Tom Cross Brown	For the 18 months ended 31 Dec 2016	270	–	–	–	–	–	–	–	270
	For the year ended 30 June 2015	162	–	–	–	–	–	–	–	162
James Fraser	For the 18 months ended 31 Dec 2016	–	–	–	–	–	–	–	–	–
	For the year ended 30 June 2015	–	–	–	–	–	–	–	–	–
Kate Avery ²	For the 9 months ended 4 April 2016	56	–	–	–	–	–	–	–	56
	For the year ended 30 June 2015	74	–	–	–	–	–	–	–	74
Keith Nicholson	For the 18 months ended 31 Dec 2016	120	–	–	–	–	–	–	–	120
	For the year ended 30 June 2015	79	–	–	–	–	–	–	–	79
Michael Deakin	For the 18 months ended 31 Dec 2016	105	–	–	–	–	–	–	–	105
	For the year ended 30 June 2015	66	–	–	–	–	–	–	–	66
Steve Melcher	For the 18 months ended 31 Dec 2016	105	–	–	–	–	–	–	–	105
	For the year ended 30 June 2015	24	–	–	–	–	–	–	–	24
Ian Cormack ⁴	For the 9 months ended 31 Dec 2016	64	–	–	–	–	–	–	–	64
Peter Catterall ⁵	For the 9 months ended 31 Dec 2016	–	–	–	–	–	–	–	–	–
Paul Bishop ⁶	For the 9 months ended 31 Dec 2016	56	–	–	–	–	–	–	–	56
Clare Spottiswoode ⁷	For the 9 months ended 31 Dec 2016	45	–	–	–	–	–	–	–	45

1 Chris Gibson-Smith was appointed Chairman of JRP Group plc on 4 April 2016.

2 Kate Avery resigned as a Non-Executive Director on 4 April 2016.

3 Shayne Deighton resigned as an Executive Director on 4 April 2016.

4 Ian Cormack was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

5 Peter Catterall was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

6 Paul Bishop was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

7 Clare Spottiswoode was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

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 the period and the respective values will be reported on vesting in the respective Annual Report on Remuneration section.

10 Other includes the value of SAYE and SIP awards that vest after three or five years for SAYE, and three years for SIP.

11 David Richardson was appointed on 4 April 2016. The bonus paid to David Richardson of £636,813 in respect of 2016 has been pro rated in this table to reflect his service as an Executive Director from 4 April 2016.

12 The amount of the bonus represented as a percentage of the 18 month salary: for Rodney Cook, 99.44%; for David Richardson, 96%; and for Simon Thomas, 96%.

13 Benefits include Executive allowance, and PMI.

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, in line with the Policy in place at 31 December 2016. Until the guideline is met, Executive Directors are required to retain 50% of any LTIP and DSBP share awards that vest (or are exercised), net of tax.

Each of the Chairman and the Non-Executive Directors are encouraged to invest in the shares of the Company 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 31 December 2016	Shareholding guideline achieved	Beneficially owned shares at 8 March 2017	Outstanding awards			
				LTIP	DSBP	SAYE	SIP ¹⁰
Rodney Cook	2,870,574	YES	2,870,574	2,615,516	386,224	15,038	1,618
David Richardson ^{1,11}	358,172	NO	358,172	843,744	119,285	7,950	232
Simon Thomas ²	1,054,240	YES	1,054,240	1,152,267	213,941	15,038	1,618
Shayne Deighton ³	1,165,895	n/a	1,165,895	925,052	214,902	25,064	1,618
Chris Gibson-Smith ⁴	582,787	–	582,787				
Tom Cross Brown	725,000	–	725,000				
James Fraser	–	–	–				
Kate Avery ⁵	50,080	–	50,080				
Keith Nicholson	29,775	–	29,775				
Michael Deakin	42,036	–	42,036				
Steve Melcher	79,439	–	79,439				
Ian Cormack ⁶	10,831	–	10,831				
Peter Catterall ⁷	–	–	–				
Paul Bishop ⁸	–	–	–				
Clare Spottiswoode ⁹	–	–	–				

1 David Richardson was appointed Director of JRP Group plc on 4 April 2016. Partnership SIP shares upon merger converted into 217 JRP ordinary shares plus 15 SIP dividend shares. Partnership LTIP (2013) scheme lapsed on Court Sanction Date and LTIP (2014) lapsed on 31 December 2016 as performance conditions were not met. LTIP (2015) converted to 355,609 awards upon merger of which 20% vested on 31 December 2016, and the remaining 80% will vest in August 2018. Partnership SAYE (2013) scheme lapsed on Court Sanction Date, and SAYE (2014) converted into 7,950 options.

2 As an eligible employee, the spouse of Simon Thomas holds 971 shares under the Group's Share Incentive Plan (includes dividend shares) and holds an option over 4,510 ordinary shares under the Company's Sharesave scheme.

3 Shayne Deighton resigned as a Director of JRP Group plc on 4 April 2016. LTIP (2013) grant vested in November 2016 (50% TSR lapsed, and 15.65% performance achieved on adjusted operating profit, of which 79.1% vested). Shayne Deighton exercised 87,961 options over ordinary shares in November 2016.

4 Chris Gibson-Smith was appointed Chairman of JRP Group plc on 4 April 2016. Total JRP shares held by Chris Gibson-Smith was 582,787 of which 291,429 are held by his spouse.

5 Kate Avery resigned as a Non-Executive Director on 4 April 2016.

6 Ian Cormack was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

7 Peter Catterall was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

8 Paul Bishop was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

9 Clare Spottiswoode was appointed as a Non-Executive Director of JRP Group plc on 4 April 2016.

10 Dividend shares are included in the SIP total.

11 David Richardson fulfilled the Company share ownership guidelines prior to the merger but fell below the threshold following transfer of Partnership Assurance Group plc shares for JRP Group plc shares.

Governance

Directors' Remuneration Report 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 2015	Granted in 18 month period ⁵	Lapsed in 18 month period	Exercised in 18 month period	Interests at 31 December 2016	Date of grant ^{1,2,3}	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2016)	–	42,606	–	–	42,606	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)	–	852,126	–	–	852,126	21 Apr 2016	nil	31 Dec 2018	21 Apr 2019	21 Apr 2026
LTIP (2015)	–	706,025	–	–	706,025	6 Nov 2015	nil	30 Jun 2018	6 Nov 2018	6 Nov 2025
LTIP (2014) ⁵	806,916	8,821	–	–	815,737	25 Sep 2014	nil	30 Jun 2017	25 Sep 2017	25 Sep 2024
LTIP (2013) ⁵	497,777	5,441	304,196	–	199,022	15 Nov 2013	nil	30 Jun 2016	15 Nov 2016	15 Nov 2023
DSBP (2016)	–	99,201	–	–	99,201	21 Apr 2016	nil	n/a	21 Apr 2019	21 Apr 2026
DSBP (2015)	–	157,023	–	–	157,023	6 Nov 2015	nil	n/a	6 Nov 2018	6 Nov 2025
DSBP (2014)	128,595	1,405	–	–	130,000	25 Sep 2014	nil	n/a	25 Sep 2017	25 Sep 2024
SAYE ⁵	14,876	162	–	–	15,038	12 May 2014	1.1969	n/a	1 Jun 2017	1 Dec 2017
SIP ⁵	1,570	48	–	–	1,618	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

David Richardson

Scheme	Interests at 4 April 2016	Granted in 9 month period	Lapsed in 9 month period	Exercised in 9 month period	Interests at 31 December 2016	Date of grant ^{2,3,4}	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2016)	–	6,060	–	–	6,060	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)	–	482,075	–	–	482,075	21 Apr 2016	nil	31 Dec 2018	21 Apr 2019	21 Apr 2026
LTIP (2015) (Partnership) ⁶	355,609	–	–	–	355,609	11 Aug 2015	nil	–	20% vested on 31 Dec 2016; 80% to vest on 11 Aug 2018	11 Aug 2025
LTIP (2014) (Partnership) ⁶	449,372	–	449,372	–	–	22 May 2014	nil	22 May 2016	31 Dec 2016	22 May 2024
DSBP (2016)	–	119,285	–	–	119,285	21 Apr 2016	nil	n/a	21 Apr 2019	21 Apr 2026
SAYE (2014) (Partnership) ⁶	7,950	–	–	–	7,950	1 Nov 2014	1.1319	n/a	1 Nov 2017	1 May 2018
SIP (Partnership) ⁶	232	–	–	–	232	12 Jun 2013	nil	n/a	12 Jun 2016	n/a

Simon Thomas

Scheme	Interests at 30 June 2015	Granted in 18 month period ⁵	Lapsed in 18 month period	Exercised in 18 month period	Interests at 31 December 2016	Date of grant ^{1,2,3}	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2016)	–	18,732	–	–	18,732	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)	–	374,641	–	–	374,641	21 Apr 2016	nil	31 Dec 2018	21 Apr 2019	21 Apr 2026
LTIP (2015)	–	310,407	–	–	310,407	6 Nov 2015	nil	30 Jun 2018	6 Nov 2018	6 Nov 2025
LTIP (2014) ⁵	356,628	3,898	–	–	360,526	25 Sep 2014	nil	30 Jun 2017	25 Sep 2017	25 Sep 2024
LTIP (2013) ⁵	220,000	2,405	134,444	–	87,961	15 Nov 2013	nil	30 Jun 2016	15 Nov 2016	15 Nov 2023
DSBP (2016)	–	55,091	–	–	55,091	21 Apr 2016	nil	n/a	21 Apr 2019	21 Apr 2026
DSBP (2015)	–	85,267	–	–	85,267	6 Nov 2015	nil	n/a	6 Nov 2018	6 Nov 2025
DSBP (2014) ⁵	72,788	795	–	–	73,583	25 Sep 2014	nil	n/a	25 Sep 2017	21 Sep 2024
SAYE ⁵	14,876	162	–	–	15,038	12 May 2014	1.1969	n/a	1 Jun 2017	1 Dec 2017
SIP ⁵	1,570	48	–	–	1,618	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

Shayne Deighton

Scheme	Interests at 30 June 2015	Granted in 9 month period ⁵	Lapsed in 9 month period	Exercised in 9 month period	Interests at 4 April 2016	Date of grant ^{1, 2, 3}	Exercise price (£)	End of performance period	Vesting date	Expiry date
LTIP (2016)	–	7,260	–	–	7,260	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)	–	246,859	–	–	246,859	16 May 2016	nil	31 Dec 2018	16 May 2019	16 May 2026
LTIP (2015)	–	310,407	–	–	310,407	6 Nov 2015	nil	30 Jun 2018	6 Nov 2018	6 Nov 2025
LTIP (2014) ⁵	356,628	3,898	–	–	360,526	25 Sep 2014	nil	30 Jun 2017	25 Sep 2017	25 Sep 2024
LTIP (2013) ⁵	220,000	2,405	–	87,961	134,444	15 Nov 2013	nil	30 June 2016	15 Nov 2016	15 Nov 2023
DSBP (2016)	–	58,152	–	–	58,152	21 Apr 2016	nil	n/a	21 Apr 2019	25 Apr 2024
DSBP (2015)	–	88,207	–	–	88,207	6 Nov 2015	nil	n/a	6 Nov 2018	6 Nov 2025
DSBP (2014) ⁵	67,802	741	–	–	68,543	25 Sep 2014	nil	n/a	25 Sep 2017	25 Sep 2024
SAYE ⁵	24,793	271	–	–	25,064	12 May 2014	1.1969	n/a	1 Jun 2019	1 Dec 2019
SIP ⁵	1,570	48	–	–	1,618	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

- 1 Vesting of the LTIP awards made in September 2014 is based half on adjusted operating profit growth and half on relative TSR performance as described earlier in this report.
- 2 Vesting of the LTIP awards made in November 2015 is based half on adjusted operating profit growth and half on relative TSR performance as described earlier in this report.
- 3 Vesting of the LTIP awards made in April and September 2016 is based 25% adjusted operating profit growth, 50% on relative TSR performance and 25% cost-synergy targets as described earlier in this report.
- 4 Dividend shares are included in the SIP total.
- 5 Awards granted during the period were for adjustments made to the awards following capital raise in October 2015 (Placing and Open Offer)
- 6 These were issued in Partnership Assurance Group plc and converted onto the JRP Group plc scheme on acquisition at 4 April 2016.

The closing share price of the Group's ordinary shares at 31 December 2016 was £1.4950 and the closing price range from the start of the financial year to the year end was £0.86 to £1.995.

Dilution

The Committee supports the Investment Association guidelines regarding dilution and regularly monitors 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 25.45% of the 10% in ten years dilution limit and 41.33% of the 5% in ten years dilution limit.

Directors' service contracts and letters of appointment

Director	Contract/letter of appointment effective date	Unexpired term of contract at 31 December 2016
Rodney Cook	15 November 2013	Rolling contract
David Richardson	4 April 2016	Rolling contract
Simon Thomas	15 November 2013	Rolling contract
Shayne Deighton (resigned on 4 April 2016)	15 November 2013	
Chris Gibson-Smith	4 April 2016	
Tom Cross Brown	1 August 2013	
James Fraser	1 August 2013	
Keith Nicholson	9 October 2013	
Michael Deakin	30 April 2014	
Steve Melcher	15 May 2015	
Ian Cormack	4 April 2016	
Peter Catterall	4 April 2016	
Paul Bishop	4 April 2016	
Clare Spottiswoode	4 April 2016	

Governance

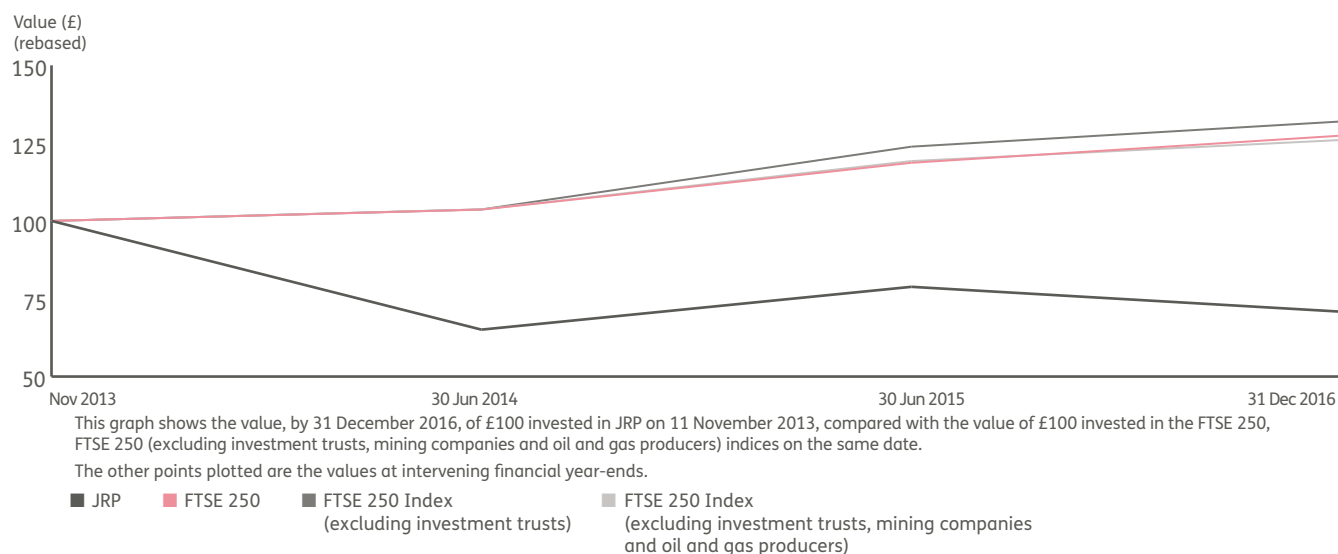
Directors' Remuneration Report continued

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 (unaudited)

Source: Datastream (Thomson Reuters)



Total remuneration of the CEO during the same period (unaudited)

The total remuneration of the CEO over the last five years is shown in the table below:

	Year ended 30 June			18 month period ended 31 December	
	2012	2013	2014	2015	2016
Total remuneration (£'000)	712	1,052	1,196	1,357	2,628
STIP (as a % of maximum opportunity)	58%	86%	63%	89%	97.5%
LTIP vesting (as a % of maximum opportunity)	n/a	n/a	n/a	n/a	39.5%

Percentage annual change in the Group Chief Executive Officer's pay compared to that for JRP employees (unaudited)

The table below shows the percentage change in each of the Group Chief Executive Officer's salary, taxable benefits and STIP earned between 2014/15 and 2015/16, compared to that for the average employee of the Group (on a per capita basis):

	Rodney Cook, CEO			Average employee		
	18 month period ended 31 Dec 2016	Year ended 30 June 2015	% change	18 month period ended 31 Dec 2016	Year ended 30 June 2015	% change
Salary (£'000)	892	560	59	70	46	52
Benefits (£'000)	164	48	244	9	6	50
Bonus (£'000)	1,314	749	75	19	11	73

Relative importance of spend on pay

The Group's actual spend on pay for all employees for the year ended 30 June 2015 was £56.6m, and for the 18 month period ended 31 December 2016 was £136.7m. During the 18 month period ended 31 December 2016, the Group paid total dividends of £32.9m (year ended 30 June 2015: £16.5m).

Statement of voting at the Annual General Meeting (unaudited)

At the Just Retirement 2015 AGM, shareholders were asked to vote on the 2015/16 Directors' Remuneration Report.

This resolution 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 Report	489,352,755	99.69	1,544,423	0.31	3,864,325

Implementation of the remuneration policy in 2017 (unaudited)

Base salaries

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

	April 2016		1 July 2015	
	Base salary	Benefit allowance	Base salary	Benefit allowance
Rodney Cook	£609,000	£111,350	£580,000	£107,000
David Richardson	£443,000	£86,450	–	–
Simon Thomas	£357,000	£75,322	£340,000	£71,000

Operation of the STIP in 2017

No changes are proposed to the structure of the STIP for 2017. 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 2017

Award levels under the LTIP for the 2017 financial year have not yet been determined. In doing so, the Committee will have regard to the level of awards granted during the 18 months, in order to ensure that award levels are appropriate when considered over the 30 month period from 1 July 2015 to 31 December 2017.

The awards made in 2017 will be subject to the following performance conditions, measured over the three financial years to 31 December 2019:

Earnings Per Share (50% of award)

Half the award will be subject to growth in adjusted Earnings Per Share over three years from the twelve months ending 31 December 2016. These targets had not yet been determined by the date on which this report was finalised and will be disclosed to shareholders in next year's Remuneration Report.

Relative TSR (50% of award)

Half of 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.


Non-Executive Board fees

Fees for the Non-Executive Directors were reviewed on 8 March 2017 and no increases were awarded for 2017.

	8 March 2017	4 April 2016	1 July 2015 for the 18 month period
Board Chairman	£250,000	£250,000	£180,000
Deputy Chairman	£180,000	£180,000	–
Basic fee	£60,000	£60,000	£60,000
Additional fee for Senior Independent Director	£10,000	£10,000	£10,000
Additional fee for Committee Chairman	£15,000	£15,000	£10,000

Approval

This report was approved by the Board of Directors on 9 March 2017 and signed on its behalf by:



Ian Cormack
Chairman, Remuneration Committee
9 March 2017

Governance

Directors' Report

The Directors present their Annual Report and the audited financial statements for JRP Group plc ("JRP"), registered in England & Wales No: 8568957, for the period of 1 July 2015 to the year ended 31 December 2016.

Overview

On 4 April 2016, Just Retirement Group plc (together with its consolidated subsidiaries and subsidiary undertakings) (the "Just Retirement Group") and Partnership Assurance Group plc (together with its consolidated subsidiaries and subsidiary undertakings) (the "Partnership Assurance Group") merged to form JRP Group plc. Prior to the merger, the Just Retirement Group's accounting reference date was 30 June in each year and the Partnership Assurance Group's accounting reference date was 31 December in each year. Following the merger, JRP Group and certain other entities changed their accounting reference dates to 31 December in each year. Therefore the statutory results presented in the Annual Report represent an 18 month accounting period. The results for the 18 months ended 31 December 2016 reflect 18 months of Just Retirement Group performance (1 July 2015 to 31 December 2016) and nine months of Partnership Assurance Group performance (1 April 2016 to 31 December 2016).

The Annual Report contains forward-looking statements. These forward looking statements are not guarantees of future statements. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed in, or implied by, the forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement.

The Directors' Report of the Group for the year ended 31 December 2016 is set out on pages 86 to 90 inclusive. Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
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	Throughout the Strategic Report (pages 4 to 47)
Employee involvement	Our people (page 19)
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 34 to the financial statements (pages 141 to 145)
Details of long-term incentive schemes	Note 11 to the financial statements (pages 119 to 122)
Directors' Responsibilities Statement	Page 91

Both the Directors' Report and the Strategic Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

The Company does not have any overseas branches within the meaning of the Companies Act 2006.

Going concern and viability statement

The Directors are required to assess the prospect of the Group as a going concern over the next 12 months, and also its longer term viability in accordance with provision C.2.2 of the 2014 UK Corporate Governance Code.

Going concern

Under the annotated version of the UK Corporate Governance Code, the Directors are required to state whether in their assessment the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The Group plan, which was approved by the Board in December 2016, and in particular the forecast regulatory solvency position calculated on a Solvency II basis in which the solvency position is assessed after a stress event.
- The findings of the August 2016 Group Own Risk and Solvency Assessment ("ORSA"), and in particular sensitivity to the most significant risks faced by the Group as referred to on pages 44 to 47 of this report.
- The projected liquidity position of the Group as at 31 December 2016, current financing arrangements and contingent liabilities.

Having due regard to these matters and after making appropriate enquiries, the Directors confirm that they consider it appropriate to prepare the financial statements on the going concern basis.

Viability statement

The Directors also confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities, as they fall due, over the next three years. The Directors have carried out a robust assessment of the principle risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and make this assessment with reference to the risk appetite of the Board and the processes and controls in place to mitigate the principal risks and uncertainties as detailed in the Strategic Report.

The Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance or operational shocks should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should an extreme stress scenario occur.

The Directors note that the Group is subject to the Prudential Regulatory Regime for Insurance Groups which monitors the Group's compliance with Solvency Capital Requirements. While the Directors have no reason to believe that the Group will not be viable over a longer period, given the inherent uncertainty which increases as longer time frames are considered, the Directors consider three years to be an appropriate time frame upon which they can report with a reasonable degree of confidence. Although a three year time frame has been selected

for this statement, the Group, as with any insurance group, has policyholder liabilities in excess of three years and therefore performs its modelling and stress and scenario testing on timeframes extending to the expected settlement of these liabilities, with results reported in the Group's Own Risk and Solvency Assessment.

Results and dividend

The financial statements set out the results of the Group for the year ended 31 December 2016 and are shown on page 100.

The first interim dividend for the year of 1.1 pence per ordinary share was paid on 20 May 2016 to shareholders on the register at the close of business on 6 May 2016 (2015: 1.1 pence per share). The second interim dividend for the year of 1.1 pence per ordinary share was paid on 28 October 2016 to shareholders on the register at the close of business on 28 September 2016 (2015: 2.2 pence per share).

The Directors are recommending a final dividend for the year of 2.4 pence per ordinary share which, together with the first and second interim dividends, makes a total dividend for the period of 4.6 pence (2015: 1.1 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend award to shareholders for 2016 will total £43.0m. If approved, the Company will pay the final dividend on 26 May 2017 to shareholders on the register at the close of business on 5 May 2017.

Directors

The current Directors of the Company, including their biographical details, are set out on pages 50 to 53. Each served from the time of their appointment on 4 April 2016 throughout the year ended 31 December 2016.

Directors on the Board from 4 April 2016 and up to the date of this report are as follows:

Chris Gibson-Smith, Chairman (appointed 4 April 2016)
Tom Cross Brown, Deputy Chairman
Rodney Cook, Group Chief Executive Officer
David Richardson, Group Deputy Chief Executive Officer and MD UK Corporate Business (appointed 4 April 2016)
Simon Thomas, Group Chief Financial Officer
Paul Bishop, Non-Executive Director (appointed 4 April 2016)
Peter Catterall, Non-Executive Director (appointed 4 April 2016)
Ian Cormack, Non-Executive Director (appointed 4 April 2016)
Michael Deakin, Non-Executive Director
James Fraser, Non-Executive Director
Steve Melcher, Non-Executive Director
Keith Nicholson, Senior Independent Director
Clare Spottiswoode, Non-Executive Director (appointed 4 April 2016)

Kate Avery and Shayne Deighton resigned from the Board immediately upon completion of the Partnership acquisition.

In accordance with the UK Corporate Governance Code, the Company is continuing to follow the recommendation that all Directors seek their election or re-election, as relevant, at the 2017 AGM. The shareholders may by special resolution, remove any director before the expiration of that director's period of office.

Copies of Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are available to shareholders for inspection at the Company's registered office and at the AGM. Details of the directors' remuneration and service contracts and their interests in the shares of the company are included in the Directors' Remuneration Report which is set out on pages 66 to 85. The Non-Executive Directors do not have service agreements.

Compliance with the UK Corporate Governance Code

The statements describing how the Company has applied the main principles of the UK Corporate Governance Code ("the Code") are set out in the Company's Corporate Governance Report on pages 55 to 59, and together with the information in share rights set out in note 11 on pages 119 to 122 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.

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. Following the merger in April 2016, more than half of its members (including the Chairman) comprised of Non-Executive Directors, are independent in the manner required by the Code and the Board feels that there is a right balance of skills and experience to support the Group's challenges ahead.

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.

Share capital

As at the date of this report, the Company had an issued share capital of 932,921,044 ordinary shares of 10 pence each. No shares are held in treasury. The ordinary shares are listed on the London Stock Exchange.

The Company's Articles specify that, subject to the authorisation of an appropriate resolution passed at a General Meeting of the Company, Directors can allot relevant securities under Section 551 of the Companies Act up to the aggregate nominal amount specified by the relevant resolution. In addition, the Articles state that the Directors can seek the authority of shareholders at a General Meeting to allot equity securities for cash, without first being required to offer such shares to existing ordinary shareholders in proportion to their existing holdings under Section 561 of the Companies Act, in connection with a rights issue and in other circumstances up to the aggregate nominal amount specified by the relevant resolution.

Governance

Directors' Report continued

Following the merger, the Company changed its accounting reference date from 30 June to 31 December. As a result, certain authorities granted to the Directors at the Company's AGM held in November 2015 were due to expire. At the General Meeting on 7 December 2016 held to renew these authorities, the Directors were (i) authorised to allot ordinary shares in the Company up to an maximum aggregate nominal amount of £62,191,405 and (ii) empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £4,664,355 and further granted an additional power to disapply pre-emption rights representing a further 5% only to be used in specified circumstances, and (iii) authorised to make market purchases of up to an aggregate of 93,287,108 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as of 16 November 2016. No shares were purchased by the Company during the year. The Directors propose to renew these authorities at the 2017 Annual General Meeting for a further year. In the year ahead, other than in respect of the JRP Group's ability to satisfy rights granted to employees under its various share-based incentive arrangements, the Directors have no present intention of issuing any share capital of JRP Group plc.

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

The share price on 31 December 2016 was £1.4950 pence.

Further information relating to the Company's issued share capital can be found in note 21 on page 133.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Restrictions on Transfer of Shares and Voting

The Company's Articles of Association ("Articles") do not contain any specific restrictions on the size of a holding or on the transfer of shares, except that certain restrictions may from time to time be imposed by laws and regulations (for example by the Market Abuse Regulations ("MAR") and insider trading law) or pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

No person has any special rights with regard to the control of the Company's share capital and all issued shares are fully paid. This is a summary only and the relevant provisions of the Articles should be consulted if further information is required.

Share Plans

The Group operates a number of share-based incentive plans. For these plans the Group can satisfy entitlements by the acquisition of existing shares or by the issue of new shares. Existing shares are held in an employee benefit trust ("EBT"). The trustee of the EBT purchases shares in the open market as required to enable the Group to meet liabilities for the issue of shares to satisfy awards that vest. The trustee does not register votes in respect of these shares and has waived the right to receive any dividends.

During the 18 months to 31 December 2016, 117,234 ordinary shares of 10 pence each were issued in satisfaction of the exercise of employee share options under the terms of the Just Retirement Share Plan 2013 for a total consideration of £11,723.40.

Details of the Group's employee share plans are set out on pages 119 to 122.

Substantial Shareholdings/Interests in the Company's shares

The Company has been notified in accordance with DTR 5 of the Disclosure and Transparency Rules of the following interests of 3% or more, of its issued ordinary shares. The information below was correct at the date of notification.

Shareholder	Ordinary shareholdings at 31 December 2016	% of capital	Ordinary shareholdings at 8 March 2017*	% of capital
Avallux S.à.r.l.	273,057,001	29.27	273,057,001	29.27
Cinven Limited/ Cinven Funds	182,479,320	19.56	182,479,320	19.56
Schroder Investment Management	60,332,052	6.47	62,562,388	6.71

* Being the last practical date prior to publication of the Annual Report

Directors' interests

The interests of Directors and their connected persons in the ordinary shares of the Company as disclosed in accordance with the Listing Rules of the UK Listing Authority are as set out on page 81 of the Directors' Remuneration Report and details of the Directors' long-term incentive awards are set out on pages 82 and 83.

James Fraser is a partner at Permira Advisers LLP which advises certain funds that wholly own Avallux S.à.r.l., one of the Company's principal shareholders controlling 29.27 % of the voting rights in the Company.

Peter Catterall is a partner of Cinven Partners LLP which advises certain funds that wholly own Cinven Funds, the Company's second principal shareholder controlling 19.56% of the voting rights in the Company.

Save as disclosed for James Fraser and Peter Catterall, 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.

Employees**Equal opportunities employment**

JRP Group plc is an equal opportunities employer and decisions on recruitment, development, training and promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct. These principles are operated on a non-discriminatory basis, without regard to race, colour, nationality, culture, ethnic origin, religion, belief, gender, sexual orientation, age, disability or any other reason not related to job performance or prohibited by applicable law. If there were to be an instance of an employee becoming disabled during their employment with the Group, support for continued employment would be provided and

workplace adjustments made as appropriate in respect of their duties and working environment.

Employee communication

Before and following the merger, JRP Group has adopted an open and honest approach to employee communications, supported by regular updates from senior management across all businesses and operations within the Group. Regular communications include email updates on the financial performance of the Company and the market environment in which the Group operates, an employee intranet which distributes Company news and events, as well as local initiatives for employee engagement.

Active employee engagement has been encouraged. This was very well illustrated prior to the launch of the new brand. The Just brand personality is to be purposeful, clear, assured and conversational both internally and externally. The new brand was launched in a way that amplified this personality. The Just In Progress event was an experiential afternoon; empowering colleagues to explore the areas of interest to them and enabling them to become immersed in the world of Just. A group of employees called Just Makers were recruited to design and lead the event. While the event marked the start of the new brand, colleagues had been involved in the brand strategy creation since August 2016, so there has been openness and collaboration from the start.

Senior management, supported and facilitated by the HR department, encourages open dialogue and seeks opportunities to consult with employee representative bodies as appropriate. A new Employee Liaison Group has been established to promote an exchange of views between management and Employee Liaison Group members on issues of mutual trust, including business strategy, policies and procedures, employment matters, culture and engagement, to test new ideas and approaches, and to provide an opportunity for the views of people to be taken into account when making decisions relating to the business.

Further information on employee communications, development and diversity is given on page 19.

Change of Control Provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. In the context of the Group as a whole, none of these are deemed to be significant in terms of their potential impact except for the following:

The Relationship Agreement with each of Avallux S.à.r.l. dated 12 November 2013 and Cinven Limited dated 7 June 2013 (the Company's principal shareholders holding 29.27% and 19.56% respectively of the issued ordinary share capital) will continue for so long as the Company is premium-listed on the London Stock Exchange's main market and each 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 Agreements to ensure that it would be able, at all times, to carry on its business independently of Avallux S.à.r.l. and Cinven Limited and that all transactions and relationships between the Company and Avallux S.à.r.l. and Cinven Limited would be at arm's length and on a normal commercial basis. Under the Relationship Agreement, both Avallux S.à.r.l. and Cinven Limited are entitled

to appoint one Non-Executive Director each to the Board of the Company.

The following reinsurance treaties may be terminated by the reinsurer on a change of control as set out below:

- The Hannover Re treaty between Just Retirement Limited and Hannover Rueck SE, Hannover (dated 20 September 2012 and as amended on 16 October 2013, 22 December 2014 and 6 January 2016) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written from 1 July 2004 to 31 December 2015 and underwritten using the JR Merica underwriting system;
- the Hannover Re treaty between Just Retirement Limited and Hannover Life Reassurance Bermuda Ltd (dated 17 December 2015) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written for the underwriting years 2004/2005, 2005/2006 and 2006/2007;
- the RGA lead treaty between Just Retirement Limited and RGA International Reinsurance Company Limited (acting as lead reinsurer) and the treaty between Just Retirement Limited and RGA Americas Reinsurance Company Ltd (acting as following reinsurer) (both treaties dated 19 June 2013 and as amended on 26 September 2013, 1 January 2014, 23 July 2014 and 1 June 2015) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written from 1 July 2012 to 31 December 2014 and underwritten using the JR Merica underwriting system;
- the Achmea Re treaty between Just Retirement Limited and Achmea Re (dated 1 December 2005 and as subsequently amended, most recently on 1 January 2013) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written from 1 July 2004 to 30 June 2012; and
- the Nomura treaty between Just Retirement Limited and Nomura Reinsurance 51C Limited (dated 30 September 2015) in relation to Just Retirement Limited's GifL (individual underwritten annuities) policies written from 1 July 2009 to 1 July 2013.

In the case of the RGA reinsurance treaties, the reinsurer can immediately terminate 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, the reinsurer can immediately terminate if there is any material change in the ownership, management or control of Just Retirement Limited). In the case of the Hannover Rueck SE and Hannover Life Reassurance Bermuda Ltd treaties ("Hannover") termination may be immediate, and in the case of the Nomura treaty on three months' prior written notice, if (i) the new controller has a long term credit rating below BBB as rated by Standard and Poor's or if Standard and Poor's does not provide a credit rating, an equivalent rating of Moody's or Fitch; or (ii) if the new controller does not have a long-term credit rating and such change of control has or is likely to have a material adverse effect on the creditworthiness of Just Retirement Limited; or (in the case of Hannover only) the new controller of Just Retirement Limited is a major competitor). 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).

Governance

Directors' Report continued

The Company does not have any agreements with any Non-Executive Director, Executive Director or employee that would provide compensation for loss of office or employment resulting from a change of control.

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 16 to the financial statements. Disclosure with respect to financial risk is included on pages 44 to 47 of the Strategic Report and in note 34 to the financial statements.

Political contributions

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2015: £nil).

Greenhouse gas emissions

Information on our reporting of greenhouse gas emissions and the methodology used to record these is given on page 41.

Amendment of Articles of Association

The Company may make amendments to the Articles by way of special resolution in accordance with the Companies Act.

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 period ending 31 December 2017 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 61 and 63 in the Corporate Governance Report.

Annual General Meeting

The Company's 2017 AGM will be held at 8 Fenchurch Street, London, EC3M 4PB at 09:30am on 18 May 2017. The Notice is being sent separately to shareholders with this Report.

The Directors' Report has been approved by the Board and is signed on its behalf by;


Simon O'Hara

Group Company Secretary
9 March 2017

Governance

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 IFRS.

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 comprehensive income 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 and assess a longer-term view of the Company's prospects in the viability statement

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 are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention of 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 comprehensive income 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 Company's position and performance business model and strategy.

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.

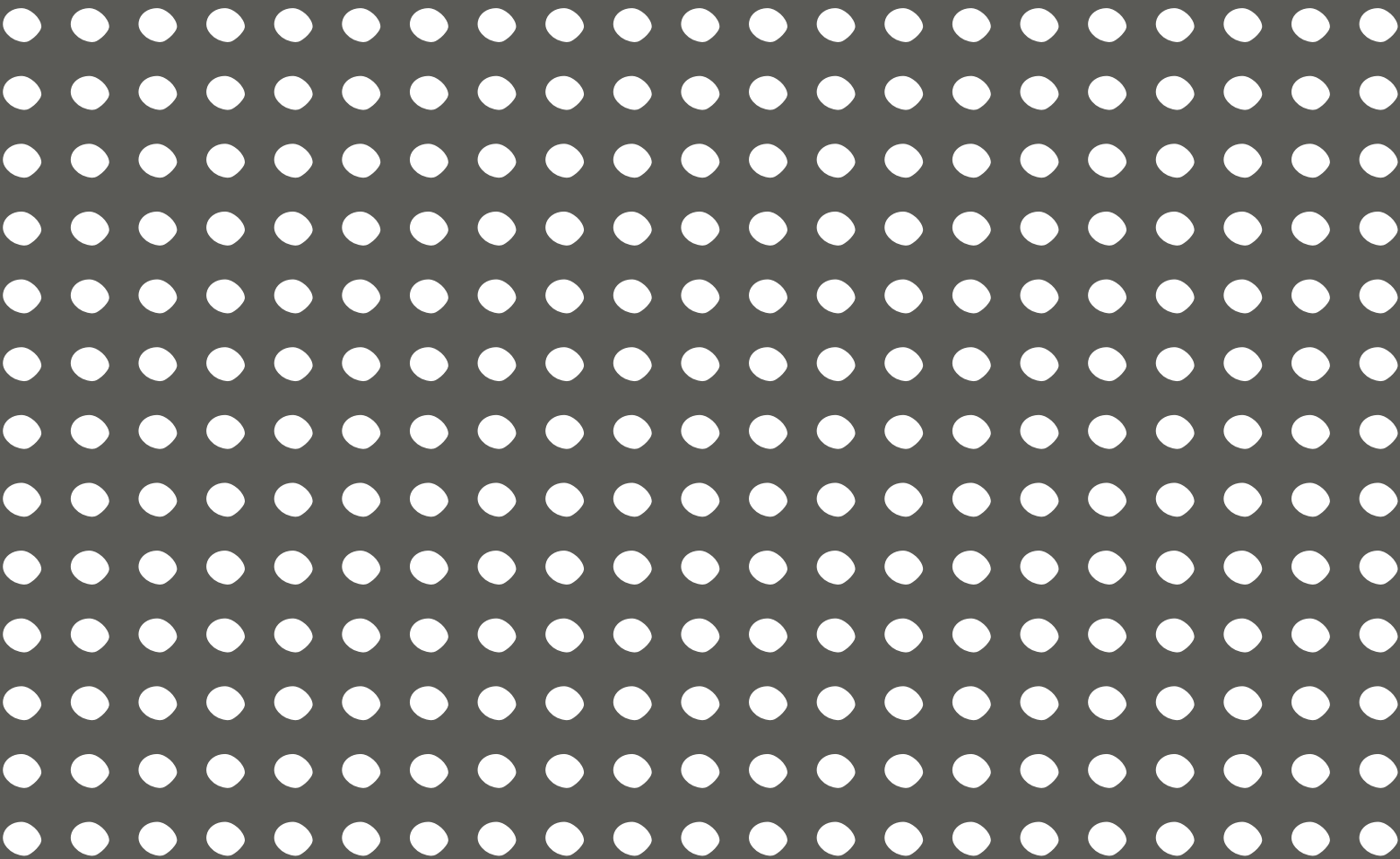


Rodney Cook
Group Chief Executive Officer



Simon Thomas
Group Chief Financial Officer
9 March 2017

Homeowners



HOMEOWNERS



ACCESSING PROPERTY WEALTH

*People aged 60+ who want
to access wealth locked up
in their property*

Property wealth owned by people aged over 50

£2.3 TRILLION

Independent Auditor's report

To the members of JRP Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of JRP Group plc for the 18 month period ended 31 December 2016 set out on pages 100 to 153. 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 31 December 2016 and of the Group's profit for the 18 month period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

Overview

	£11.5m (30 June 2015: £6.5m)
Materiality: Group financial statements as a whole	0.7% (30 June 2015: 0.8%) of Group net assets
Coverage	98% (30 June 2015: 100%) of Group net assets
Risks of material misstatement	vs 30 June 2015
Recurring risks	
Insurance liabilities	No change
Loans secured by residential mortgages	No change
Reinsurance assets and deposits received from insurers	No change
Event driven	
Acquisition accounting	New risk

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, in decreasing order of audit significance, were as follows:

	The Risk	Our response
Insurance liabilities (£15,748.0 million; 30 June 2015: £7,440.3 million) Refer to page 62 (Audit Committee Report), page 111 (accounting policy) and pages 133 to 137 (financial disclosures).	The Group has significant insurance liabilities representing 71% (30 June 2015: 71%) of the Group's total liabilities. This is an area that involves judgment in selecting an appropriate methodology and significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of insurance liabilities.	Our procedures included:
	Subjective estimates The valuation of the insurance liabilities requires the exercise of significant judgement in setting assumptions, in particular mortality 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.	Control design and reperformance: testing of key controls of review and approval over the methods and assumptions adopted over the Group's calculation of the insurance liabilities through inspecting signed documents and meeting minutes. We also involved our own IT specialists to test the completeness and accuracy of the data extracted from the relevant systems used in performing the calculation of the insurance liabilities. We involved our own actuarial specialists to assist us in our challenge of the methodology and assumptions. Our procedures included:
	Mortality assumptions Changing trends on mortality and emerging medical trends means there is a high level of uncertainty in the assumptions.	<ul style="list-style-type: none"> • Benchmarking assumptions: 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;
	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.	<ul style="list-style-type: none"> • our sector experience: assessing the credit risk assumptions and appropriateness of the Group's methodology used to determine the liquidity premium applied to the risk-free rate, by reference to industry practice and our expectation derived from market experience; and
	Data capture The calculation of the insurance liabilities involves a number of reports generated from the Group's systems and there is a risk that the reports do not contain complete and accurate data.	<ul style="list-style-type: none"> • independent reperformance: using our own valuation models and the Group's assumptions, we calculated the insurance liability balance for a sample of policies across the reserves and compared to the balances recorded by the Group.
		Assessing transparency: considering the adequacy of the Group's disclosures in relation to the assumptions used in the calculation of insurance liabilities, in particular the sensitivities of the valuations to alternative scenarios and inputs.

Independent Auditor's report continued

To the members of JRP Group plc only

2. Our assessment of risks of material misstatement (continued)

	The Risk	Our response
Loans secured by residential mortgages (£6,430.4 million; 30 June 2015: £3,471.8 million) Refer to page 62 (Audit Committee Report), page 109 (accounting policy) and pages 125 to 132 (financial disclosures).	Forecast-based valuation The loans are measured at fair value, determined through projecting the discounted cashflows using pricing model methodologies developed internally. The methodology and its application involve significant judgement, as do the estimates and assumptions in the projected discounted cashflows.	Our procedures included: Control design and reperformance: testing the review and approval of the estimates and assumptions in the valuation process, including the controls' operating effectiveness. Our IT specialists performed testing over the completeness and accuracy of the data extracted from the relevant systems used in performing the calculation of the fair value of loans secured by residential mortgages. We specifically focused on the assumptions used in the valuation model as expert judgements are required. We used our actuarial specialists to assist us in performing our audit procedures in this area, which included:
	Subjective estimates The critical estimates include projected future receipts of interest and loan repayments and future house prices. The key assumptions include property price volatility, voluntary redemption rates, mortality rates and liquidity premium added to swap curve. These are key inputs which affect the cashflow projection and the discount rate applied. A small change of these assumptions can have a significant impact on the overall valuation.	<ul style="list-style-type: none"> • Methodology choice: assessing pricing model methodologies against industry practice and valuation guidelines; • methodology design: critically assessing whether the valuation process is appropriately designed and captures relevant valuation inputs; and • benchmarking assumptions: assessing the estimates and assumptions used within the valuation process, taking into consideration the Group's historical experience and industry data.
	Data capture The calculation of the loans involves a number of reports generated from the Group's systems and there is a risk that the reports do not contain complete and accurate data	Assessing transparency: considering the adequacy of the Group's disclosures in relation to the valuation of loans secured by residential mortgages, in particular the sensitivity of the valuations adopted to alternative outcomes.
Acquisition accounting (£571.9 million purchase price resulting in £0.3 million goodwill) Refer to page 62 (Audit Committee Report), pages 106 and 108 (accounting policy) and pages 112 to 113 (financial disclosures).	The acquisition of Partnership Assurance Group plc was effective as at 1 April 2016. There are a number of judgements and complex calculations when applying acquisition accounting under IFRS 3 Business Combinations as follows:	Our procedures in relation to the acquisition balance sheet of Partnership Assurance Group plc included:
	Subjective valuations <ul style="list-style-type: none"> • Measurement of the fair value of the identifiable assets and liabilities acquired as part of the acquisition; and • Purchase price allocations were performed by external experts and any previously unrecognised intangible assets acquired identified and fair valued. These intangible assets included Acquired Value of In-Force Business in respect of the insurance contract portfolios. Additional intangible assets were recognised in relation to distribution and customer relationships, brands, technology and software including IP. 	<ul style="list-style-type: none"> • Our sector experience: critically evaluating the fair values of acquired identifiable assets and liabilities determined on initial recognition, including challenging the Group's judgements by comparing to our sector knowledge and experience; • accounting analysis: assessing the alignment of accounting policies between JRP Group plc and Partnership Assurance Group plc for determining the fair value of insurance liabilities, loans secured by residential mortgages and reinsurance assets at acquisition date; • benchmarking assumptions: with assistance from our own actuarial and corporate finance valuation specialists, we assessed the methodology used by the Group to identify the different intangible assets and challenged the assumptions in the external experts' valuation models by comparing to market data; and • assessing valuer's credentials: evaluated the objectivity and competence of the external experts. Assessing transparency: considering the adequacy of the Group's disclosures in relation to the acquisition of Partnership Assurance Group plc during the period.

2. Our assessment of risks of material misstatement (continued)

	The Risk	Our response
Reinsurance assets and deposits received from insurers Reinsurance assets (£6,057.1 million; 30 June 2015: £2,477.1 million) Deposits received from insurers (£5,231.4 million; 30 June 2015: £2,473.6 million) Refer to page 62 (Audit Committee Report), pages 110 to 111 (accounting policy) and pages 133 and 138 (financial disclosures).	Accounting treatment The Group needs to determine based on the underlying cash flows and treaty terms whether the deposits received from reinsurers should be accounted for under either IFRS 4 or IAS 39.	Our procedures included: Accounting analysis: evaluating the classification of deposits from reinsurers between IFRS 4 and IAS 39 based on the underlying cash flows and terms of the treaties; Independent reperformance: assessing the Group's calculation of all reinsurance balances in respect of the recapture transactions during the period through re-performance; and Enquiry of counterparties: obtaining counterparty confirmations for all recapture transaction amounts in the period We involved our actuarial specialists to assist us in our challenge of the assumptions. Our procedures included:
	Forecast-based valuation Under IFRS 4, the valuation of the reinsurance assets is sensitive to movements in mortality and economic assumptions. Under both IFRS 4 and IAS 39, the valuation of the deposits received from reinsurers are driven by the discount rate applied to the cash flows. The calculation of these balances involves significant judgement over uncertain future outcomes.	• Test of details: evaluating the appropriateness of the mortality experience, discount rates and economic assumptions (where applicable based on classification) used in the valuation with reference to the bases used for policyholder liabilities and the terms of the reinsurance treaty; • methodology implementation: comparing the Group's valuations for the reinsurance assets and deposits received from reinsurers against the calculation basis set out in the reinsurance treaties and industry practice; and • our sector experience: considering the Group's analysis of the movements in reinsurance assets and deposit liabilities with reference to the movements in policyholder liabilities, our understanding of developments in the business and our expectation derived from market experience.
	Complex process and inputs As part of the reinsurance arrangements the Group has the option to re-capture 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 due to the non-recurring nature of the transaction.	Assessing transparency: considering 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.
	Calculation error In addition, the calculation of the recaptured insurance balances is also complex and susceptible to error.	

Independent Auditor's report continued

To the members of JRP Group plc only

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

The materiality for the Group financial statements as a whole was set at £11.5 million (30 June 2015: £6.5 million), determined with reference to a benchmark of Group net assets, of which it represents 0.7% (30 June 2015: 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 reported to the Audit Committee any corrected or uncorrected misstatements exceeding £530,000 (30 June 2015: £325,000) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 28 (30 June 2015: 14) reporting components, we subjected 6 (30 June 2015: 14) to audits for Group reporting purposes. For the remaining 22 components (30 June 2015: 0), we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

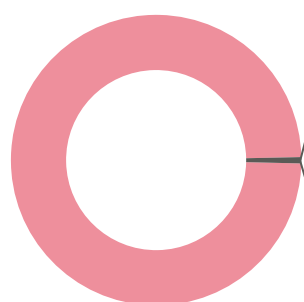
The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team approved the component materiality of £7.1 million (30 June 2015: £6.5 million), having regard to the mix of size and risk profile of the Group across the components.

The Group team performed the audit of the Group, the audits of significant components and analyses at group level of financial information for the non-significant components.

Total Group net assets
£1,610.6m
(30 June 2015: £814m)

Materiality
£11.5m (30 June 2015: £6.5m)



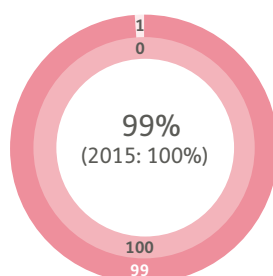
■ Total Group net assets
■ Group materiality

£11.5m
Whole financial statements materiality
(30 June 2015: £6.5m)

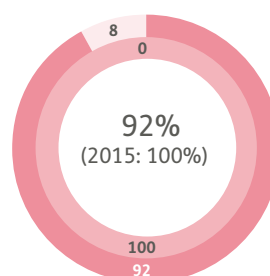
£7.1m
Materiality at 6 components
(30 June 2015: £6.5m)

£530k
Misstatements reported to the audit committee
(30 June 2015: £325k)

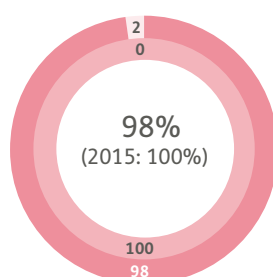
Total Group revenue



Total profits and losses that make up Group profit before tax



Total Group net assets



■ Full scope for group audit purposes 31 December 2016
■ Analysis at aggregated group level 31 December 2016
■ Full scope for group audit purposes 30 June 2015
■ Analysis at aggregated group level 31 December 2015

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

In our opinion:

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

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The Directors' statement of viability on pages 86 and 87, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2019; or
- the disclosures on page 86 of the Annual Report and Accounts concerning the use of the going concern basis of accounting.

6. 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 position and 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' statements, set out on pages 86 and 87, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 87 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 91, 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
9 March 2017

Consolidated statement of comprehensive income

For the 18 months ended 31 December 2016

	Note	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Gross premiums written		2,693.5	1,099.0
Reinsurance premiums ceded		(1,553.4)	(122.9)
Reinsurance recapture		1,166.9	950.9
Net premium revenue		2,307.0	1,927.0
Net investment income	3	1,616.8	635.2
Fee and commission income		17.1	5.1
Total revenue		3,940.9	2,567.3
Gross claims paid		(1,204.5)	(498.6)
Reinsurers' share of claims paid		512.4	248.1
Net claims paid		(692.1)	(250.5)
Change in insurance liabilities:			
Gross amount		(2,687.1)	(956.7)
Reinsurers' share		1,447.3	(188.3)
Reinsurance recapture		(1,166.9)	(950.9)
		(2,406.7)	(2,095.9)
Change in investment contract liabilities	23	(15.5)	(3.5)
Acquisition costs	4	(53.6)	(18.5)
Other operating expenses	5	(341.5)	(127.6)
Finance costs	6	(232.7)	(100.9)
Total claims and expenses		(3,742.1)	(2,596.9)
Profit/(loss) before tax	7	198.8	(29.6)
Income tax	8	(51.3)	4.8
Profit/(loss) for the period		147.5	(24.8)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss: exchange differences on translating foreign operations		0.4	(0.2)
Total comprehensive income for the period		147.9	(25.0)
Profit/(loss) attributable to:			
Equity holders of JRP Group plc		147.5	(24.8)
Profit/(loss) for the period		147.5	(24.8)
Total comprehensive income attributable to:			
Equity holders of JRP Group plc		147.9	(25.0)
Total comprehensive income for the period		147.9	(25.0)
Basic earnings per share (pence)	12	20.16	(4.96)
Diluted earnings per share (pence)	12	20.02	(4.96)

The notes on pages 104 to 147 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the 18 months ended 31 December 2016

18 months ended 31 December 2016	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit ² £m	Total shareholders' equity £m
Balance at 1 July 2015	50.1	1.2	348.4	–	(0.7)	415.0	814.0
Profit for the period	–	–	–	–	–	147.5	147.5
Other comprehensive income for the period	–	–	–	–	–	0.4	0.4
Total comprehensive income for the period	–	–	–	–	–	147.9	147.9
Contributions and distributions							
Shares issued (net of issue costs) ¹	43.2	90.5	–	532.7	–	–	666.4
Dividends	–	–	–	–	–	(32.9)	(32.9)
Share-based payments	–	–	–	–	(0.9)	16.1	15.2
Total contributions and distributions	43.2	90.5	–	532.7	(0.9)	(16.8)	648.7
Balance at 31 December 2016	93.3	91.7	348.4	532.7	(1.6)	546.1	1,610.6

1 Share issue costs recognised directly in equity were £4.1m.

2 Includes Currency translation reserve.

Year ended 30 June 2015	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit ² £m	Total shareholders' equity £m
Balance at 1 July 2014	50.1	1.2	348.4	–	(0.1)	453.2	852.8
Loss for the period	–	–	–	–	–	(24.8)	(24.8)
Other comprehensive income for the year	–	–	–	–	–	(0.2)	(0.2)
Total comprehensive income for the year	–	–	–	–	–	(25.0)	(25.0)
Contributions and distributions							
Dividends	–	–	–	–	–	(16.5)	(16.5)
Share-based payments	–	–	–	–	(0.6)	3.3	2.7
Total contributions and distributions	–	–	–	–	(0.6)	(13.2)	(13.8)
Balance at 30 June 2015	50.1	1.2	348.4	–	(0.7)	415.0	814.0

Consolidated statement of financial position

As at 31 December 2016

	Note	31 December 2016 £m	30 June 2015 (restated) ¹ £m
Assets			
Intangible assets	14	217.0	75.2
Property, plant and equipment	15	17.1	0.7
Financial investments	16	17,319.6	8,577.7
Investment in joint ventures and associates		0.3	–
Reinsurance assets	22	6,057.1	2,477.1
Deferred tax assets	17	10.3	4.2
Current tax assets	29	11.1	17.6
Prepayments and accrued income	18	53.3	3.2
Insurance and other receivables	19	137.3	34.1
Cash and cash equivalents	20	71.4	58.8
Total assets		23,894.5	11,248.6
Equity			
Share capital	21	93.3	50.1
Share premium	21	91.7	1.2
Reorganisation reserve		348.4	348.4
Merger reserve	21	532.7	–
Shares held by trusts		(1.6)	(0.7)
Accumulated profit		546.1	415.0
Total equity attributable to owners of JRP Group plc		1,610.6	814.0
Liabilities			
Insurance liabilities	22	15,748.0	7,440.3
Investment contract liabilities	23	222.3	228.3
Loans and borrowings	24	343.1	46.9
Other financial liabilities	25	5,740.8	2,643.2
Deferred tax liabilities	17	46.4	32.9
Other provisions	28	8.5	1.5
Current tax liabilities	29	27.3	0.1
Accruals and deferred income	30	34.4	18.7
Insurance and other payables	31	113.1	22.7
Total liabilities		22,283.9	10,434.6
Total equity and liabilities		23,894.5	11,248.6

1 The fair value of debt securities includes accrued interest previously classified as prepayments and accrued income on the statement of financial position. As a result of this change in presentation, £83.0m of accrued interest has been reclassified from prepayments and accrued income at 30 June 2015.

The notes on pages 104 to 147 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 9 March 2017 and were signed on its behalf by:



Simon Thomas
Director

Consolidated statement of cash flows

For the 18 months ended 31 December 2016

	Note	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Cash flows from operating activities			
Profit/(loss) before tax		198.8	(29.6)
Depreciation of equipment		2.6	0.5
Amortisation of intangible assets		24.3	4.2
Impairment of intangible assets		3.8	–
Share-based payments		15.2	2.7
Interest income		(683.1)	(196.4)
Interest expense		232.7	100.9
Increase in financial investments		(2,794.5)	(1,082.6)
(Increase)/decrease in reinsurance assets		(280.5)	1,139.2
Decrease in prepayments and accrued income		(47.0)	–
Increase in insurance and other receivables		(61.7)	(29.1)
Increase in insurance liabilities		2,687.9	956.7
(Decrease)/increase in investment contract liabilities		(6.0)	30.9
Increase/(decrease) in deposits received from reinsurers		98.2	(990.4)
Increase in accruals and deferred income		4.3	2.3
Increase/(decrease) in insurance and other payables		53.6	(12.8)
Increase/(decrease) in other creditors		219.4	(38.8)
Interest received		388.1	201.6
Interest paid		(208.6)	(91.8)
Taxation paid		(35.9)	(24.1)
Net cash outflow from operating activities		(188.4)	(56.6)
Cash flows from investing activities			
Cash acquired on the acquisition of Partnership Assurance Group plc	2	268.6	–
Additions to internally generated intangible assets		–	(1.8)
Acquisition of property and equipment		(10.3)	(0.2)
Net cash inflow/(outflow) from investing activities		258.3	(2.0)
Cash flows from financing activities			
Increase/(decrease) in borrowings		202.1	(4.5)
Interest paid		(6.0)	(2.3)
Dividends paid		(32.9)	(16.5)
Issue of ordinary share capital (net of costs)		96.9	–
Net cash inflow/(outflow) from financing activities		260.1	(23.3)
Net increase/(decrease) in cash and cash equivalents		330.0	(81.9)
Cash and cash equivalents at start of period		313.7	395.6
Cash and cash equivalents at end of period		643.7	313.7
Cash available on demand		71.4	58.8
Units in liquidity funds		572.3	254.9
Cash and cash equivalents at end of period	20	643.7	313.7

Notes to the consolidated financial statements

1 Significant accounting policies

General information

JRP Group plc (“the Company”) was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares. The Company’s registered office is Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey, RH2 7RU.

As explained in note 2, on 4 April 2016, Just Retirement Group plc (“JRG”) and Partnership Assurance Group plc (“PAG”) completed an all-share transaction to create JRP Group plc (“JRP”). This has been accounted for as a business combination in which JRG has acquired 100% of the ordinary share capital of PAG through a share-for-share exchange, with effective control passing on 1 April 2016. JRG changed its name to JRP Group plc on 4 April 2016. In May 2016 JRP changed its accounting reference date from 30 June to 31 December. As such, these financial statements comprise the Consolidated financial statements of JRP Group plc (formerly Just Retirement Group plc) and its subsidiaries, together referred to as “the Group”, as at, and for the 18 month period ended, 31 December 2016.

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 2015 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Values are expressed to the nearest £0.1m.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue, but either 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) and amendment to IFRS 4, Insurance contracts (effective 1 January 2018, not yet endorsed).

IFRS 9 includes comprehensive requirements relating to the classification and measurement of financial instruments. In 2016 the IASB amended IFRS 4, the existing Insurance Contracts standard, to allow entities that issue insurance contracts to defer application of IFRS 9 until accounting periods beginning on or after 1 January 2021. This is intended to align with the expected effective date of IFRS 17, the forthcoming Insurance Contracts standard. This option, which the Group intends to adopt, is subject to meeting criteria relating to the predominance of insurance activity. It is expected that the amendment of the insurance standard will have a significant impact on the presentation of future cash flows within the financial statements, which will be formally assessed once the standard has been finalised.

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

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.

- IFRS 16, Leases (effective 1 January 2019, not yet endorsed).

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single accounting model, requiring lessees to recognise assets and liabilities for leases unless the term is 12 months or less, or the underlying asset has a low value. The effect of applying this standard will be to bring the operating leases disclosed in note 32 onto the balance sheet.

- 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.

- Amendment to IAS 12, Income taxes (effective 1 January 2017, not yet endorsed).

The amendments clarify the recognition of deferred tax assets for unrealised losses on debt instruments, and provide guidance on estimates for future taxable profits and the assessment of multiple deferred tax assets in combination.

- Amendment to IAS 7, Statement of cash flows (effective 1 January 2017, not yet endorsed).

The amendments require additional disclosures that will allow users to understand changes in liabilities arising from financing activities, including changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

1 Significant accounting policies continued

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

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

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

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	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
1.18, 16(a) and (d)	Measurement of fair value of loans secured by residential mortgages	<p>The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, future house prices, and the future costs of administering the loan portfolio.</p> <p>The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the risk-free curve and used to discount the mortgage cash flows.</p> <p>Further details can be found in note 16(a).</p>
1.19, 22	Measurement of reinsurance assets arising from reinsurance arrangements	<p>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.</p> <p>The key assumptions used in the valuation include discount rates and mortality experience, as described below, and assumptions around the reinsurers' ability to meet its claim obligations.</p>
1.22, 22(b), 23(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance contracts	<p>The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of administering payments to policyholders.</p> <p>The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments. The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders.</p> <p>Further detail can be found in notes 22 and 23.</p>
1.3, 2	Fair values of Partnership Assurance Group on acquisition	<p>The key assumptions for the valuation of the acquired in-force business are the projected profits of the acquired business and the discount rate. The discount rate used represents a weighted average cost of capital determined using a capital asset pricing model (CAPM) approach.</p>

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.3 Consolidation principles

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

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

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

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

The Group uses the equity method to consolidate its investments in joint ventures and associates. Under the equity method of accounting the investment is initially recognised at fair value and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint ventures and associates.

1.4 Segments

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

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

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

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

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

- The writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life company;
- the arranging of guaranteed income for life contracts and lifetime mortgages through a regulated advice and intermediary services; and
- the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

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

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

1.5 Foreign currencies

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

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

1 Significant accounting policies continued

1.6 Classification of insurance and investment contracts

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

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

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

1.7 Premium revenue

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

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

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

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

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

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

Reinsurance premiums previously incurred can be recaptured under certain conditions, notably once reinsurance financing for an underwriting year is fully repaid.

1.8 Net investment income

Investment income consists of interest receivable for the period 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 period.

1.9 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. Revenue is recognised in full on acceptance and inception of the contract by the product provider as there are no post-placement obligations. In addition, operating income includes fees from software licensing which are recognised across the license period.

1.10 Claims paid

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

Death claims are accounted for when notified.

1.11 Acquisition costs

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

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

1.12 Leases

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.

1.13 Finance costs

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

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

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

1.14 Employee benefits

Defined contribution plans

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

Share-based payment transactions

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

1.15 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted-average number of ordinary shares outstanding during the 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.

1.16 Intangible assets

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

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

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

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

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

PrognosisTM is the Group's proprietary underwriting engine. The Group has over 2 million person-years of experience collected over twenty years of operations. It is enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature.

1 Significant accounting policies continued

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

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives, which range from 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	Up to 16 years	Estimated value in-force using European Embedded Value model
Brand	2 – 5 years	Estimated royalty stream if the rights were to be licensed
Distribution network	3 years	Estimated discounted cash flow
Software	2 – 3 years	Estimated replacement cost
Intellectual property	12 – 15 years	Estimated replacement cost

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

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

1.17 Property, plant and equipment

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

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

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

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

Computer equipment – 3 to 4 years
Furniture and fittings – 2 to 10 years

1.18 Financial investments

Classification

The Group classifies financial investments in accordance with IAS 39 whereby, subject to specific criteria, they are accounted for at fair value through profit and loss. This comprises assets designated by management as fair value through profit 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 residential mortgages are recognised when cash is advanced to borrowers.

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

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.

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

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

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

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

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

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

1.19 Reinsurance

Reinsurance assets

Amounts recoverable from reinsurers are measured in a consistent manner with insurance liabilities 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. Where the liability carries no insurance risk, it is initially recognised at fair value at the date the deposited asset is recognised and subsequently re-measured at fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated statement of comprehensive income. Fair value is determined as the amount payable discounted from the first date that the amount is required to be paid. All other deposits received from reinsurers are valued in accordance with the terms of the reinsurance contracts, which take into account an appropriate discount rate for the timing of expected cash flows.

1 Significant accounting policies continued***Amounts receivable/payable***

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

1.20 Cash and cash equivalents

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

1.21 Equity

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

Interim dividends are recognised in equity in the 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.

1.22 Insurance liabilities***Measurement***

Long-term insurance liabilities arise from the Group writing Retirement Income contracts, including Defined Benefit De-risking solutions, long-term care insurance, and whole of life and term protection insurance. Their measurement uses estimates of projected future cash flows arising from payments to policyholders plus the costs of administering them. Valuation of insurance liabilities is derived using discount rates, adjusted for default allowance, and mortality assumptions, taken from the appropriate mortality tables and adjusted to reflect actual and expected experience.

Liability adequacy test

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

1.23 Investment contract liabilities

Investment contracts are measured at fair value through profit 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.

1.24 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.

1.25 Other provisions

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

1.26 Taxation

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

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

Notes to the consolidated financial statements continued

1 Significant accounting policies continued

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 Acquisition of Partnership Assurance Group plc

On 4 April 2016, the Group completed the acquisition of 100% of the ordinary share capital of Partnership Assurance Group plc (PAG) through an all share exchange which gave PAG shareholders 0.834 Just Retirement Group plc (JRP) shares for every PAG share held, with effective control having passed on 1 April 2016. In total, 368,376,421 new JRP shares were issued and commenced trading on 4 April 2016. As a result, PAG shareholders hold approximately 40% of the enlarged share capital of the Combined Group. At the closing price of 154.60 pence on 1 April 2016, the share exchange represented consideration of £569.5m. As part of the acquisition certain employee share schemes granted to PAG employees have been exchanged for equivalent JRP employee share schemes. The fair value cost of replacing those schemes, included in the consideration for PAG, was £2.4m.

Established in 2005 following the acquisition of the business of the Pension Annuity Friendly Society, PAG was a UK life insurance group whose strategy was aligned with that of the Group. PAG was focused on retirement income products, offering better rates to customers who suffer from shortened life expectancy by utilising an intellectual property led, capital-efficient business model. Following the Pensions Freedom changes announced in the 2014 Budget, PAG increased its focus on the defined benefit scheme de-risking segment whilst continually developing its individually underwritten annuities. The acquisition recognises the benefits of greater scale, enhanced intellectual property, a broader product proposition and a more efficient distribution platform that will improve the potential of the Group to succeed in its chosen markets in the future.

In accordance with the accounting standard on Business Combinations (IFRS 3), valuations used in acquisition balance sheets may be refined within one year following the acquisition date. The fair value of PAG identifiable assets and liabilities acquired have been determined to have a net value of £571.6m, compared with the initial value of £644.7m disclosed in the 30 June 2016 Interim report. When compared with consideration of £571.9m, goodwill of £0.3m has arisen on acquisition, as follows:

	Fair value £m
Assets	
Acquired value of in-force business and intangible assets – before goodwill	169.6
Property, plant and equipment	8.7
Financial investments	5,293.9
Investment in joint ventures and associates	0.2
Reinsurance assets	3,299.5
Deferred tax assets	8.3
Prepayments and accrued income	3.1
Insurance and other receivables	41.5
Cash and cash equivalents	268.6
Total assets	9,093.4
Liabilities	
Insurance liabilities	5,619.8
Loans and borrowings	94.3
Financial liabilities	2,737.2
Deferred tax liabilities	32.5
Current tax liabilities	1.3
Insurance and other payables	36.7
Total liabilities	8,521.8
Net assets	571.6
Goodwill arising on acquisition	0.3
Total net assets acquired	571.9
Fair value of shares exchanged	569.5
Fair value cost of exchanging employee share schemes	2.4
Total consideration	571.9

2 Acquisition of Partnership Assurance Group plc continued

The issue of new shares in the Company in exchange for shares of PAG will attract merger relief under section 612 of the Companies Act 2006. Of the £569.5m, £36.8m has been credited to share capital (representing 10 pence per ordinary share) and the remaining £532.7m has been credited to the merger reserve within equity.

Fair value and accounting policy adjustments

Insurance liabilities and reinsurance assets

On completion of the acquisition, the economic assumptions applied to the actuarial models used to determine the value of insurance liabilities and reinsurance assets have been reviewed across the Group. Following this review, consistent economic and other assumptions have been applied to all Group entities, resulting in an increase of £37.3m to PAG's insurance liabilities and an increase of £6.2m to PAG's reinsurance assets recognised on acquisition. Similarly, consistent economic assumptions have been applied to the models used to determine the fair value of loan assets secured by mortgages, resulting in an increase of £30.7m to the value of PAG's mortgage loan assets.

Financial liabilities

PAG's subordinated debt liability has been recognised at fair value on acquisition. The fair value represents a £5.8m reduction to the amortised cost of the debt liability. The methodology applied to the valuation of reinsurance deposit back liabilities in Partnership Life Assurance Company Limited has also been reviewed and a Group accounting basis has been adopted. Together with the impact of other basis alignments, this resulted in a £74.7m increase in the value of PAG's financial liabilities.

Acquired value of in-force business and intangible assets

An asset of £142.7m was recognised on acquisition representing the present value of future profits from the acquired in-force business as of 1 April 2016. Future profit streams have been discounted using a weighted-average cost of capital of 11.1%, which was determined using a capital asset pricing model (CAPM) approach. This will be amortised in accordance with the Group's accounting policies.

Intangible assets of £26.9m represent PAG's distribution and customer relationships, brands, technology and software including IP, and other intangibles. These balances will be amortised over their remaining useful economic lives, in accordance with the Group's accounting policies.

Goodwill arising on acquisition

The acquisition resulted in goodwill of £0.3m, representing the excess of purchase consideration over the fair value of assets acquired. The acquisition consideration consisted of shares in the Group exchanged for shares in PAG at a ratio set at the announcement of the transaction on 11 August 2015.

Profit and loss

If the acquisition had been effective on 1 July 2015, on a pro forma basis the Group's revenue is estimated at £4,368.7m and profit before tax attributable to shareholders is estimated at £121.2m for the 18 month period ending 31 December 2016. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2015. The pro forma results are provided for information purposes only and do not necessarily reflect the actual results that would have occurred had the acquisition taken place on 1 July 2015. Since 1 April 2016 £363.3m has been recognised within the Group's revenue and £24.0m has been recognised within the Group's profit before tax attributable to shareholders arising from the acquired entities.

Acquisition costs of £23.4m incurred to support the transaction have been recognised within other operating expenses in the statement of comprehensive income.

3 Net investment income

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Interest income:		
Assets at fair value through profit or loss	683.1	196.4
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit and loss	998.7	568.1
Derivative financial instruments	(65.2)	(129.3)
Other income	0.2	–
Total net investment income	1,616.8	635.2

Notes to the consolidated financial statements continued

4 Acquisition costs

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Commission	25.9	10.1
Other acquisition expenses	27.7	8.4
Total acquisition costs	53.6	18.5

5 Other operating expenses

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Personnel expenses (note 10)	138.0	56.6
Investment expenses and charges	9.8	3.7
Depreciation of equipment	2.6	0.5
Operating lease rentals: land and buildings	4.6	1.5
Acquisition integration costs	40.7	–
Acquisition transaction costs	23.4	–
Impairment of intangible assets	3.8	–
Amortisation of intangible assets	24.3	4.2
Other costs	94.3	61.1
Total other operating expenses	341.5	127.6

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

Services provided by Group's auditor

	18 months ended 31 December 2016 £'000	Year ended 30 June 2015 £'000
Fees payable for the audit of the Parent Company and consolidated accounts	50	41
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	468	313
Corporate finance services	2,425	–
Audit-related assurance services	705	78
Tax compliance services	2	5
Tax advisory services	85	28
Other assurance services	15	178
Auditor remuneration	3,750	643
Audit-related assurance services provided by other firms	77	–

6 Finance costs

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Interest payable on deposits received from reinsurers	208.6	91.8
Interest payable on subordinated debt	11.3	–
Other interest payable	12.8	9.1
Total finance costs	232.7	100.9

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

7 Segmental reporting

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which the Group uses for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. The underlying operating profit represents a combination of both the profits generated from new business written in the period and profits expected to emerge from the in-force book of business based on current assumptions. Actual operating experience where different from that assumed at the start of the period and the impacts of changes to future operating assumptions applied in the period are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in-force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, corporate bond defaults and, with respect to lifetime mortgages, no-negative guarantee and early redemptions.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, 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 adjusted operating profit.

Segmental analysis

The Insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions and Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plan and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and lifetime mortgage advances. From a management reporting perspective, these are managed together, with LTM being an integral part of the insurance business model.

The professional services business is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' result and the CODM does not separately consider its results at present. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

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

Segmental reporting and reconciliation to financial information

18 months ended 31 December 2016	Insurance £m	Other £m	Total £m
New business operating profit	171.7	–	171.7
In-force operating profit	88.2	1.1	89.3
Underlying operating profit	259.9	1.1	261.0
Operating experience and assumption changes	2.5	–	2.5
Other Group companies' operating results	–	(18.4)	(18.4)
Reinsurance and financing costs	(52.0)	22.6	(29.4)
Adjusted operating profit before tax	210.4	5.3	215.7
Non-recurring and project expenditure	(18.4)	(2.7)	(21.1)
Investment and economic profits/(losses)	95.7	(2.6)	93.1
Profit/(loss) before acquisition transaction and amortisation costs, before tax	287.7	–	287.7
Acquisition integration costs	–	(40.7)	(40.7)
Acquisition transaction costs	–	(23.4)	(23.4)
Impairment of intangible assets	–	(3.8)	(3.8)
Amortisation costs	–	(21.0)	(21.0)
Profit/(loss) before tax	287.7	(88.9)	198.8

Notes to the consolidated financial statements continued

7 Segmental reporting continued

Year ended 30 June 2015	Insurance £m	Other £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	–	(8.7)	(8.7)
Reinsurance and financing costs	(28.7)	16.2	(12.5)
Adjusted operating profit before tax	59.3	8.3	67.6
Non-recurring and project expenditure	(16.8)	(2.6)	(19.4)
Investment and economic (losses)/profits	(74.2)	0.1	(74.1)
(Loss)/profit before amortisation costs and before tax	(31.7)	5.8	(25.9)
Amortisation costs	–	(3.7)	(3.7)
(Loss)/profit before tax	(31.7)	2.1	(29.6)

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:

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Defined Benefit De-risking Solutions ("DB")	1,644.6	608.9
Guaranteed Income for Life contracts ("GIfL")	949.2	478.0
Care Plans ("CP")	97.1	12.1
Protection	2.6	–
Gross premiums written	2,693.5	1,099.0

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

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Drawdown	32.4	48.7
LTM loans advanced	729.8	308.1
New business sales not included in gross premiums written	762.2	356.8

Reconciliation of gross premiums written to new business sales

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Gross premiums written	2,693.5	1,099.0
Change in premiums receivable not included in new business sales*	24.9	–
Drawdown and LTM new business sales not included in gross premiums written	762.2	356.8
New business sales	3,480.6	1,455.8

* Premiums on insurance contracts are recognised when the contract becomes effective in accordance with the terms of the contract. For certain contracts written by Partnership Assurance Company Limited ("PLACL"), this is when the contract is issued and completion may be later if the timing of payment differs. PLACL contracts where payment has not been received in the reporting period are excluded from new business sales.

8 Income tax

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Current taxation		
Current year	54.0	(13.1)
Adjustments in respect of prior periods	14.0	0.1
Total current tax	68.0	(13.0)
Deferred taxation		
Origination and reversal of temporary differences	(3.0)	8.2
Adjustments in respect of prior periods	(12.1)	–
Rate change	(1.6)	–
Total deferred tax	(16.7)	8.2
Total income tax	51.3	(4.8)

The current taxation adjustment in respect of prior period of £14.0m relates to losses previously treated as available for group relief in 2015 which have been utilised against 2016 taxable profits instead when calculating the £54.0m charge for the period. Similarly the deferred tax adjustment in respect of prior period reflects the recognition of the tax loss carried forward into the current reporting period.

Notes to the consolidated financial statements continued

8 Income tax continued

Reconciliation of total income tax to the applicable tax rate:

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Profit/(loss) on ordinary activities before tax	198.8	(29.6)
Income tax at 20.00% (2015: 20.75%)	39.8	(6.1)
Effects of:		
Expenses not deductible for tax purposes	11.8	1.7
Rate change	(1.6)	–
Higher rate for overseas income	–	(0.1)
Unrecognised deferred tax asset	0.4	0.3
Losses utilised	0.7	–
Adjustments in respect of prior periods	1.9	0.1
Other	(1.7)	(0.7)
Total income tax	51.3	(4.8)

Reductions in the corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 March 2016. In the Budget on 16 March 2016, the Chancellor announced a further reduction to the corporation tax rate to 17% (effective from 1 April 2020) which was substantively enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly, although there will be no material effect.

The deferred tax assets and liabilities at 31 December 2016 have been calculated based on the rate at which they are expected to reverse.

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. Since 1 January 2013, life insurance tax has been based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime. Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus which are not excluded items for taxation, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten year period from 1 January 2013.

Similarly the resulting cumulative transitional adjustments for tax purposes in adoption of IFRS will be amortised on a straight-line basis over a ten year period from 1 January 2016.

The tax charge for the period to 31 December 2016 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £10.1m (2015: £(3.0)m).

9 Remuneration of Directors

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in respect of the 18 months ended 31 December 2016 was £6.7m (2015: £3.4m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2015: £nil). The aggregate net value of share awards granted to the Directors in the period was £5.6m (2015: £2.6m). The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. No Directors exercised share options during the period whilst a Director of the Company.

10 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:

	18 months ended 31 December 2016 Number	Year ended 30 June 2015 Number
Directors	13	9
Senior management	136	68
Staff	1,041	692
Average number of staff	1,190	769

The aggregate personnel costs were as follows:

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Wages and salaries	106.3	46.7
Social security costs	11.6	5.0
Other pension costs	5.2	1.6
Share-based payment expense	14.9	3.3
Total personnel costs	138.0	56.6

The Company does not have any employees.

11 Employee benefits

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable to the fund and amounted to £5.2m (2015: £1.6m).

Employee share plans

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

Share Options

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

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

The options are accounted for as equity-settled schemes.

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

	18 months ended 31 December 2016 Number of options	Year ended 30 June 2015 Number of options
Outstanding at start of period	7,708,723	2,994,265
On acquisition of Partnership Assurance Group plc (PAG)	6,312,856	–
Granted	10,179,879	4,816,871
Forfeited	(1,628,885)	(102,413)
Exercised	(592,801)	–
Expired	(4,822,608)	–
Outstanding at end of period	17,157,164	7,708,723
Exercisable at the end of period	1,173,184	–
Weighted-average share price at exercise (£)	1.38	–
Weighted-average remaining contractual life (years)	1.68	1.91

Notes to the consolidated financial statements continued

11 Employee benefits continued

Options arising on the acquisition of PAG relate to options awarded to PAG employees in 2014 and 2015 which the Group has replaced with options over shares in JRP Group plc in the same ratio as the share exchange which achieved the acquisition of PAG. The replacement options for the 2014 PAG options were subject to achieving a Total Shareholder Return of JRP relative to the constituents of a relevant comparator index or peer group, but to vest on 31 December 2016. The performance conditions were not achieved and all options lapsed in the period. Of the replacement options for the 2015 PAG options, 20% are free awards which vested on 31 December 2016, 40% are subject to an adjusted operating profit growth measure which are due to vest on 11 August 2018, and 40% are subject to the Total Shareholder Return performance which are also due to vest on 11 August 2018.

Options granted in the period include 83,596 additional options in respect of modifications to options awarded in 2013 and 2014 to ensure option holders were not adversely affected by the Group's placing and open offer to shareholders in October 2015. There is no change to the fair value of the options as a result of these modifications

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

During the period to 31 December 2016, awards of LTIPs were made on 6 November 2015, 21 April 2016, 16 May 2016 and 28 September 2016. The weighted-average fair value and assumptions used to determine the fair value of options granted during the period under the LTIP are as follows:

Fair value at grant date	£1.17
Option pricing model used – adjusted operating profit performance	Black-Scholes
Option pricing model used – TSR performance	Stochastic
Share price at grant date	£1.37
Exercise price	Nil
Expected volatility ¹	40%
Option life	3 years
Dividends	Nil
Risk-free interest rate	0.58%

1 For the november 2015 awards a proxy volatility based on the average volatility of ten uk listed insurance companies, measured over the historic period commensurate with the performance period, has been used. For the 2016 awards actual historic volatility has been used.

Deferred share bonus plan ("DSBP")

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

The options are accounted for as equity-settled schemes.

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

	18 months ended 31 December 2016 Number of options	Year ended 30 June 2015 Number of options
Outstanding at start of period	447,916	–
On acquisition of Partnership Assurance Group plc (PAG)	1,288,376	–
Granted	2,115,578	447,916
Forfeited	–	–
Exercised	(1,594,326)	–
Expired	–	–
Outstanding at end of period	2,257,544	447,916
Exercisable at end of period	–	–
Weighted-average share price at exercise (£)	1.48	–
Weighted-average remaining contractual life (years)	1.85	2.24

11 Employee benefits continued

Options arising on the acquisition of PAG relate to options made to PAG employees in 2014 and 2015 which the Group has replaced with options over shares in JRP Group plc in the same ratio as the share exchange which achieved the acquisition of PAG. All options vested in full on completion of the acquisition and all options were exercised in the period.

Options granted in the period include 4,894 additional options in respect of a modification to options awarded in 2014 to ensure option holders were not adversely affected by the Group's placing and open offer to shareholders in October 2015. There is no change to the fair value of the options as a result of this modification.

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

During the period to 31 December 2016, awards of DSBPs were made on 6 November 2015 and 21 April 2016. The weighted-average fair value and assumptions used to determine the fair value of options granted during the period under the DSBP are as follows:

Fair value at grant date	£1.48
Option pricing model used	Black-Scholes
Share price at grant date	£1.48
Exercise price	Nil
Expected volatility	Nil
Option life	3 years
Dividends	Nil
Risk-free interest rate	Nil

Save As You Earn ("SAYE") scheme

The Group operates SAYE plans for all employees, allowing a monthly amount to be saved from salaries over either a three 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. There were no options granted under the SAYE in the period to 31 December 2016.

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:

	18 months ended 31 December 2016		Year ended 30 June 2015	
	Number of options	Weighted- average exercise price (£)	Number of options	Weighted- average exercise price (£)
Outstanding at start of period	4,390,881	1.22	4,192,332	1.21
On acquisition of Partnership Assurance Group plc (PAG)	1,321,179	1.21	–	–
Granted	46,875	1.21	792,683	1.28
Forfeited	(692,407)	1.22	(346,340)	1.21
Cancelled	(104,190)	1.26	(193,468)	1.21
Exercised	(139,623)	1.15	(33,636)	1.21
Expired	(18,568)	1.22	(20,690)	1.21
Outstanding at end of period	4,804,147	1.21	4,390,881	1.22
Exercisable at end of period	150,717	1.23	4,545	1.21
Weighted-average share price at exercise		1.43		1.44
Weighted-average remaining contractual life (years)		1.42		2.56

Notes to the consolidated financial statements continued

11 Employee benefits continued

Options arising on the acquisition of PAG relate to options made to PAG employees in 2014 and 2015 which the Group has replaced with options over shares in JRP Group plc in the same ratio as the share exchange which achieved the acquisition of PAG. The exercise price of the original options were also adjusted from £0.94 to £1.13 for the 2014 options and from £1.23 to £1.47 for the 2015 options.

Options granted in the period include 46,875 additional options in respect of modifications to options awarded in 2014 and 2015 to ensure option holders were not adversely affected by the Group's placing and open offer to shareholders in October 2015. The exercise prices were also adjusted by the same ratio, from £1.21 to £1.20 for the 2014 options and from £1.28 to £1.27 for the 2015 options. There is no change to the fair value of the options as a result of these modifications.

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

	2016 Number of options outstanding	2015 Number of options outstanding
£1.13	667,993	–
£1.20	3,260,855	3,598,198
£1.27	683,202	792,683
£1.47	192,097	–
Total	4,804,147	4,390,881

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 are forfeited if the employees cease employment (except in "good leaver" circumstances) within the first three years from the date of the award. The awards vested on 11 November 2016.

On the acquisition of PAG, shares held in trust in respect of SIP awards were converted to JRP shares in the same ratio as the share exchange which achieved the acquisition of PAG. The awards vested on 12 June 2016.

Awards made in the period 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 £26,748 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 period is as follows:

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Equity-settled schemes	14.9	3.3
Total expense	14.9	3.3

12 Earnings per share

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

	18 months ended 31 December 2016			Year ended 30 June 2015		
	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	147.5	731.6	20.16	(24.8)	499.7	(4.96)
Effect of dilutive potential ordinary shares:						
Share options	–	5.3	(0.14)	–	–	–
Diluted	147.5	736.9	20.02	(24.8)	499.7	(4.96)

13 Dividends

Dividends paid in the year were as follows:

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Final dividend:		
– in respect of the year ended 30 June 2015 – 2.2 pence per share, paid on 7 December 2015	12.4	–
– in respect of the year ended 30 June 2014 – 2.2 pence per share, paid on 8 December 2014	–	11.0
Interim dividend:		
– first interim dividend in respect of the 18 month period ended 31 December 2016 – 1.1 pence per share, paid on 20 May 2016	10.2	–
– second interim dividend in respect of the 18 month period ended 31 December 2016 – 1.1 pence per share, paid on 28 October 2016	10.3	–
– in respect of the year ended 30 June 2015 – 1.1 pence per share, paid on 14 May 2015	–	5.5
Total dividends paid	32.9	16.5

Subsequent to 31 December 2016, the Directors proposed a final dividend for 2016 of 2.4 pence per ordinary share (2015: 2.2p), amounting to £22.4 million (2015: £12.4m) in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 26 May 2017 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2017.

Notes to the consolidated financial statements continued

14 Intangible assets

31 December 2016	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Prognosys™ and other intellectual property £m	Software £m	Leases £m	Total £m
Cost								
Balance at 1 July 2015	33.6	57.3	16.6	1.6	5.4	14.8	–	129.3
Additions arising on acquisition of Partnership Assurance Group plc	0.3	142.7	10.0	4.0	2.0	8.9	2.0	169.9
At 31 December 2016	33.9	200.0	26.6	5.6	7.4	23.7	2.0	299.2
Amortisation and impairment								
Balance at 1 July 2015	(0.8)	(20.0)	(16.6)	(1.6)	(0.5)	(14.6)	–	(54.1)
Charge for the year	–	(16.1)	(2.5)	(1.5)	(0.7)	(2.8)	(0.7)	(24.3)
Impairment	–	–	–	(2.5)	–	–	(1.3)	(3.8)
At 31 December 2016	(0.8)	(36.1)	(19.1)	(5.6)	(1.2)	(17.4)	(2.0)	(82.2)
Net book value at 31 December 2016	33.1	163.9	7.5	–	6.2	6.3	–	217.0
Net book value at 30 June 2015	32.8	37.3	–	–	4.9	0.2	–	75.2

30 June 2015	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Prognosys™ £m	Software £m	Leases £m	Total £m
Cost								
Balance at 1 July 2014	33.6	57.3	16.6	1.6	3.6	14.8	–	127.5
Additions arising from Internal development	–	–	–	–	1.8	–	–	1.8
At 30 June 2015	33.6	57.3	16.6	1.6	5.4	14.8	–	129.3
Amortisation and impairment								
Balance at 1 July 2014	(0.8)	(16.4)	(16.6)	(1.5)	(0.4)	(14.2)	–	(49.9)
Charge for the year	–	(3.6)	–	(0.1)	(0.1)	(0.4)	–	(4.2)
At 30 June 2015	(0.8)	(20.0)	(16.6)	(1.6)	(0.5)	(14.6)	–	(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	3.2	0.6	–	77.6

Amortisation and impairment charge

The amortisation and impairment charge is recognised in other operating expenses in profit or loss. The fair value attributed to the Partnership brand has been impaired following the adoption of the Just brand. The lease intangible asset has been impaired as a result of the rationalisation of office space.

Impairment testing

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

The Group's goodwill of £33.1m at 31 December 2016 represents £0.3m recognised in the period on the acquisition of the Partnership Assurance Group and £32.8m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited (JRL).

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

	2016	2015
Period on which management approved forecasts are based	5 years	5 years
Discount rate (pre-tax)	12.0%	12.0%

14 Intangible assets continued

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

15 Property, plant and equipment

	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Total £m
31 December 2016				
Cost				
Balance at 1 July 2015	–	3.9	2.8	6.7
Acquired during the year	9.7	0.5	0.1	10.3
Additions arising on acquisition of Partnership Assurance Group plc	–	1.1	7.6	8.7
At 31 December 2016	9.7	5.5	10.5	25.7
Depreciation				
Balance at 1 July 2015	–	(3.2)	(2.8)	(6.0)
Charge for the year	(0.3)	(1.4)	(0.9)	(2.6)
At 31 December 2016	(0.3)	(4.6)	(3.7)	(8.6)
Net book value at 31 December 2016	9.4	0.9	6.8	17.1
Net book value at 30 June 2015	–	0.7	–	0.7
30 June 2015				
Cost		Computer equipment £m	Furniture and fittings £m	Total £m
Balance at 1 July 2014		3.7	2.8	6.5
Acquired during the year		0.2	–	0.2
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)
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

Included in Freehold land and buildings is land of value £3.6m (2015: £nil).

16 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.

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

Notes to the consolidated financial statements continued

16 Financial investments continued

The fair value of debt securities includes accrued interest previously classified as prepayments and accrued income on the statement of financial position. As a result of this change in presentation, £83.0m of accrued interest has been reclassified from prepayments and accrued income at 30 June 2015.

	31 December 2016 £m	30 June 2015 £m
Fair value		
Units in liquidity funds	572.3	280.2
Debt securities and other fixed income securities	9,751.9	4,756.8
Deposits with credit institutions	73.2	18.0
Derivative financial assets	107.0	50.9
Loans secured by residential mortgages	6,430.4	3,471.8
Loans secured by commercial mortgages	163.8	–
Other loans	192.5	–
Amounts recoverable from reinsurers on investment contracts	28.5	–
Total fair value	17,319.6	8,577.7
Cost		
Units in liquidity funds	572.3	279.9
Debt securities and other fixed income securities	8,907.6	4,536.2
Deposits with credit institutions	73.2	18.0
Derivative financial assets	–	8.2
Loans secured by residential mortgages	3,927.5	2,073.3
Loans secured by commercial mortgages	159.0	–
Other loans	160.9	–
Amounts recoverable from reinsurers on investment contracts	29.1	–
Total cost	13,829.6	6,915.6

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 £71.0m (30 June 2015: £17.2m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

(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.

16 Financial investments continued

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- Where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker/asset manager prices, or the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes, and therefore classified as Level 2.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, asset-backed securities, and investment contract liabilities.

The valuation of loans secured by mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, 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 prior year the internal model used to value the loans secured by residential mortgages was 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 reassessed the level of the liquidity premium and this is now considered to be an observable input to the internal model. 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.

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

The level 3 Other loans are infrastructure-related loans, and 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 31 December 2016 (30 June 2015: nil).

Notes to the consolidated financial statements continued

16 Financial investments continued

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

31 December 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity funds	572.3	–	–	572.3
Debt securities and other fixed income securities	645.2	8,927.7	179.0	9,751.9
Deposits with credit institutions	71.0	2.2	–	73.2
Derivative financial assets	–	107.0	–	107.0
Loans secured by residential mortgages	–	–	6,430.4	6,430.4
Loans secured by commercial mortgages	–	–	163.8	163.8
Other loans	–	3.8	188.7	192.5
Recoveries from reinsurers on investment contracts	–	–	28.5	28.5
Total assets held at fair value	1,288.5	9,040.7	6,990.4	17,319.6
Liabilities held at fair value				
Investment contract liabilities	–	–	222.3	222.3
Derivative financial liabilities	–	189.3	–	189.3
Obligations for repayment of cash collateral received	21.6	30.5	–	52.1
Deposits received from reinsurers	–	–	2,741.1	2,741.1
Total liabilities held at fair value	21.6	219.8	2,963.4	3,204.8
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	717.0	4,021.0	18.8	4,756.8
Deposits with credit institutions	17.2	0.8	–	18.0
Derivative financial assets	–	50.9	–	50.9
Loans secured by residential mortgages	–	–	3,471.8	3,471.8
Total assets held at fair value	1,014.4	4,072.7	3,490.6	8,577.7
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

(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. The transfer from Level 2 to Level 3 followed a change in the availability of market prices for specific bonds.

16 Financial investments continued**(d) Level 3 assets and liabilities measured at fair value**

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

	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
18 months ended 31 December 2016							
At start of period	18.8	3,471.8	–	–	–	(228.3)	–
On acquisition of Partnership Assurance Group plc	0.1	1,623.6	117.2	–	–	–	(2,659.6)
Purchases/Advances/Deposits	135.0	744.9	44.6	157.1	29.1	(32.4)	(54.5)
Transfers from Level 2	20.5	–	–	–	–	–	–
Sales/Redemptions/Payments	(6.8)	(254.3)	0.1	–	(1.9)	53.9	173.5
Gains and losses recognised in profit or loss within net investment income	11.6	572.5	1.5	31.6	1.3	–	(128.8)
Amortisation	(0.2)	271.9	0.4	–	–	–	(71.7)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(15.5)	–
At end of period	179.0	6,430.4	163.8	188.7	28.5	(222.3)	(2,741.1)
Year ended 30 June 2015							
At start of period	15.5	2,749.4	–	–	–	(197.4)	–
Purchases/Advances/Deposits	–	308.1	–	–	–	(49.1)	–
Transfers from Level 2	3.5	–	–	–	–	–	–
Sales/Redemptions/Payments	–	(109.6)	–	–	–	21.7	–
Gains and losses recognised in profit or loss within net investment income	0.2	523.9	–	–	–	–	–
Amortisation	(0.4)	–	–	–	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(3.5)	–
At end of period	18.8	3,471.8	–	–	–	(228.3)	–

Debt securities and other fixed income securities

Debt securities classified as Level 3 are either infrastructure private placement bonds or asset-backed securities.

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

The redemption and default assumptions used in the valuation of infrastructure private placement bonds are similar to the rest of the Group's bond portfolio.

For asset-backed securities, the assumptions are that the underlying loans supporting the securities are redeemed in the future in a similar profile to the existing redemptions on an average rate of 3% per annum, and that default levels on the underlying basis remain at the current level of the Group's bond portfolio.

Sensitivity analysis

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:

	Debt securities and other fixed income securities Default assumption +100bps
Net increase/(decrease) in profit before tax (£m)	
31 December 2016	(1.7)
30 June 2015	(0.2)

Notes to the consolidated financial statements continued

16 Financial investments continued

Loans secured by residential mortgages

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the following:

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 4.3% for loans written by Just Retirement (30 June 2015: 3.8%) and 4.3% for loans written by Partnership.

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 Office for National Statistics monthly index for the property's location.

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 0.7% for loans written by Just Retirement (30 June 2015: 0.6%) and 1.8% for loans written by Partnership.

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 residential mortgages valuation assumptions			
	Maintenance expenses +10%	Mortality -5%	Property prices -20%	Voluntary redemptions +10%
Net increase/(decrease) in profit before tax (£m)				
31 December 2016	(5.9)	36.8	(79.8)*	(30.7)
30 June 2015	(4.1)	15.3	(52.2)	(14.3)

*This sensitivity assumes an additional 10% reduction to property prices over and above the 10% fall assumed in the base position.

The sensitivity factors are determined 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 the 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.

Loans secured by commercial mortgages

Principal assumption(s) underlying the calculation of loans secured by commercial mortgages

The discount rate is the most significant assumption applied in calculating the fair value of the loans secured by commercial mortgages. The discount rate used 0.9% plus a spread % of between 1.3% and 2.8% depending on the individual loan.

16 Financial investments continued*Sensitivity analysis*

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

Net increase/(decrease) in profit before tax (£m)	Loans secured by commercial mortgages valuation assumptions
	Interest rates +100bps
31 December 2016	(9.5)

Other loans

Other loans classified as Level 3 are infrastructure loans.

*Principal assumptions underlying the calculation of other loans classified as Level 3**Redemption and defaults*

The redemption and default assumptions used in the valuation of infrastructure loans are similar to the Group's bond portfolio. They have additional covenants which provide greater security but these are not quantified in the valuation.

Sensitivity analysis

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

Recoveries from reinsurers on investment contracts

Recoveries from reinsurers on investment contracts represent fully reinsured funds invested under the Flexible Pension Plan. The linked liabilities are included in Level 3 investment contract liabilities.

Principal assumptions and sensitivity of profit before tax

Recoveries from reinsurers on investment contracts are valued based on the price of the reinsured underlying funds determined by the asset managers. The assets are classified as Level 3 because the prices are not validated by internal models or the observable inputs used by the asset managers are not available. Therefore, there are no principal assumptions used in the valuation of these Level 3 assets.

Investment contract liabilities*Principal assumptions underlying the calculation of investment contract liabilities**Maintenance expenses*

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.5% (30 June 2015: 4.1%).

Sensitivity analysis

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

Deposits received from reinsurers*Principal assumption(s) underlying the calculation of deposits received from reinsurers**Discount rate*

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used as at 31 December 2016 for Individual retirement and Individual care annuities were 3.24% and 1.17% respectively (30 June 2015: not applicable).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread applied by individual reinsurer. A credit spread of 166bps was applied in respect of the most significant reinsurance contract.

Notes to the consolidated financial statements continued

16 Financial investments continued

Sensitivity analysis

Changes to unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets (see note 25 (b)). The Group has estimated the impact on profit for the period in changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Deposits received from reinsurers	
	Credit spreads +100bps	Interest rates +100bps
31 December 2016	(32.5)	(54.6)

17 Deferred tax

31 December 2016	Asset £m	Liability £m	Total £m
Transitional tax	–	(12.6)	(12.6)
Intangible assets	–	(33.8)	(33.8)
Other provisions	10.3	–	10.3
Total deferred tax	10.3	(46.4)	(36.1)
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)

The transitional tax liability of £12.6m (30 June 2015: £22.1m) represents the adjustment arising from the change in the tax rules for life insurance companies which is amortised over ten years from 1 January 2013 and the transitional adjustments for tax purposes in adopting IFRS which is amortised over 10 years from 1 January 2016. Included in the movement in the period were net asset balances amounting to £6.6m which were recognised in full in year one.

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

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

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Net balance at start of period	(28.7)	(20.5)
Arising on acquisition of Partnership Assurance Group plc	(24.1)	–
Amounts credited/(charged) to the Consolidated statement of comprehensive income	16.7	(8.2)
Net balance at end of period	(36.1)	(28.7)

The Group has unrecognised deferred tax assets of £5.4m (30 June 2015: £6.4m) arising from unrelieved tax losses.

18 Prepayments and accrued income

Included in prepayments and accrued income are capitalised bank borrowing issue costs of £nil (30 June 2015: £0.8m).

Prepayments and accrued income for the Group includes £0.1m (30 June 2015: £0.7m) that is expected to be recovered more than one year after the Consolidated statement of financial position date.

19 Insurance and other receivables

	31 December 2016 £m	30 June 2015 £m
Receivables arising from insurance and reinsurance contracts	126.7	28.6
Other receivables	10.6	5.5
Total insurance and other receivables	137.3	34.1

Of the above insurance and other receivables, £99.4m (30 June 2015: £0.6m) is expected to be recovered more than one year after the Consolidated statement of financial position date.

20 Cash and cash equivalents

	31 December 2016 £m	30 June 2015 £m
Cash available on demand	71.4	58.8
Units in liquidity funds	572.3	254.9
Cash and cash equivalents in the Consolidated statement of cash flows	643.7	313.7

21 Share capital

The allotted and issued ordinary share capital of JRP Group plc at 31 December 2016 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 July 2015	500,864,706	50.1	1.2	–	51.3
Shares issued under capital placing and open offer	63,525,672	6.4	90.5	–	96.9
Shares issued in exchange for shares in PAG	368,376,421	36.8	–	532.7	569.5
In respect of employee share schemes	117,234	–	–	–	–
At 31 December 2016	932,884,033	93.3	91.7	532.7	717.7

Consideration for the acquisition of 100% of the equity shares of Partnership Assurance Group plc consisted of a new issue of shares in the Company. Accordingly merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

	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

22 Insurance contracts and related reinsurance**Insurance liabilities**

	Gross £m	Reinsurance £m	Net £m
31 December 2016			
Insurance liabilities	15,748.0	6,057.1	9,690.9
30 June 2015			
Insurance liabilities	7,440.3	2,477.1	4,963.2

(a) Terms and conditions of insurance contracts

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

Notes to the consolidated financial statements continued

22 Insurance contracts and related reinsurance continued

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

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

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

(b) Principal assumptions underlying the calculation of insurance contracts

The principal assumptions underlying the calculation of insurance contracts are as follows:

Mortality assumptions

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

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

	31 December 2016	30 June 2015
Individually underwritten Guaranteed Income for Life Solutions (JRL)	PCMA/PCFA00, with CMI model mortality improvements	PCMA/PCFA00, with CMI model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	Modified E&W Population mortality, with CMI model mortality improvements	Not applicable
Defined Benefit (JRL)	Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with CMI model mortality improvements	Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with CMI model mortality improvements
Defined Benefit (PLACL)	Modified E&W Population mortality, with CMI model mortality improvements	Not applicable
Other annuity products (PLACL)	Modified PCMA/PCFA bespoke improvements	Not applicable
Term and whole of life products (PLACL)	TM/TF00 Select	Not applicable

Valuation discount rates

Valuation discount rate assumptions 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	31 December 2016 %	30 June 2015 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	3.18	3.96
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	3.24	Not applicable
Defined Benefit (JRL)	3.18	3.96
Defined Benefit (PLACL)	3.24	Not applicable
Other annuity products (PLACL)	1.17	Not applicable
Term and whole of life products (PLACL)	1.63	Not applicable

22 Insurance contracts and related reinsurance continued*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 4.5% (30 June 2015: 4.1%) derived from the expected retail price index implied by inflation swap rates and an additional allowance for earnings inflation.

(c) Movements

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

	Gross £m	Reinsurance £m	Net £m
Carrying amount			
At 1 July 2015	7,440.3	2,477.1	4,963.2
On acquisition of Partnership Assurance Group plc	5,619.8	3,299.5	2,320.3
Increase in liability from premiums	2,395.9	87.2	2,308.7
Release of liability due to recorded claims	(1,023.8)	(384.1)	(639.7)
Unwinding of discount	391.1	113.5	277.6
Changes in economic assumptions	917.7	259.5	658.2
Changes in non-economic assumptions	11.9	5.3	6.6
Other movements ¹	(4.9)	199.1	(204.0)
At 31 December 2016	15,748.0	6,057.1	9,690.9
	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

¹ Includes the impact of reinsurance recapture

*Effect of changes in assumptions and estimates during the period**Economic assumption changes**Discount rates*

The JRL valuation interest rate over the period has decreased by 0.78% from 3.96% at 30 June 2015 to 3.18% at 31 December 2016. A decrease in the valuation interest rate increases the carrying value of insurance liabilities. The PLACL valuation interest rate at 31 December 2016 was 3.24%.

Expense inflation

The maintenance expense inflation assumption used at 31 December 2016 was 4.5% p.a. (30 June 2015: 4.1% p.a.).

*Non-economic assumption change**Expense assumption*

The JRL GfL maintenance expense assumption used at 31 December 2016 was £46.68 per plan, an increase from £43.97 per plan at 30 June 2015, whilst the JRL DB maintenance assumption used at 31 December 2016 was £56.61 per plan (30 June 2015: £53.32 per plan). An increase in the maintenance expense assumption increases the carrying value of insurance liabilities. The PLACL GfL and DB maintenance assumption used at 31 December 2016 was £22.99 per plan.

Notes to the consolidated financial statements continued

22 Insurance contracts and related reinsurance continued

(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.

	Expected cash flows (undiscounted)				Total £m	Carrying value (discounted) £m
	Within 1 year £m	1–5 years £m	5–10 years £m	Over 10 years £m		
31 December 2016						
Gross	1,096.5	4,182.7	4,675.3	13,226.0	23,180.5	15,748.0
Reinsurance	(454.1)	(1,713.6)	(1,867.8)	(4,583.6)	(8,619.1)	(6,057.1)
Net	642.4	2,469.1	2,807.5	8,642.4	14,561.4	9,690.9
	Expected cash flows (undiscounted)				Total £m	Carrying value (discounted) £m
	Within 1 year £m	1–5 years £m	5–10 years £m	Over 10 years £m		
30 June 2015						
Gross	538.0	2,076.3	2,377.3	6,386.6	11,378.2	7,440.3
Reinsurance	(175.5)	(685.2)	(790.2)	(2,071.3)	(3,722.2)	(2,477.1)
Net	362.5	1,391.1	1,587.1	4,315.3	7,656.0	4,963.2

(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.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4 and 6% respectively. The test allows consistently allows for similar changes to investment returns and movements in the market by backing fixed interest securities
Expenses	The impact of an increase in maintenance expenses by 10%
Mortality rates	The impact of a decrease in mortality rates by 5% applied to both Retirement Income liabilities and mortgage assets
Property prices	The impact of an immediate decrease in the value of properties by 20%. The test allows for the impact on the Retirement Income liabilities arising from any change in yield on the loans secured by residential mortgages and loans secured by commercial mortgages used to back the liabilities
Voluntary redemptions	The impact of an increase in voluntary redemption rates on loans secured by residential and commercial mortgages by 10%. The test allows for the impact on the annuity liabilities arising from any change in yield on the loans secured by residential mortgages and loans secured by commercial mortgages used to back the liabilities

Impact on profit before tax (£m)

	Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Mortality -5%	Property prices -20%	Voluntary redemptions +10%
Net increase/(decrease) in profit before tax (£m)						
31 December 2016	(177.5)	225.1	(49.2)	(131.3)	(106.3)*	(67.9)
30 June 2015	(25.9)	83.7	(19.9)	(48.9)	(52.2)	(14.3)

*This sensitivity assumes an additional 10% reduction to property prices over and above the 10% fall assumed in the base position.

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. Property growth assumptions in the base balance sheet at 31 December 2016 allow for a -10% year-on-year fall in property prices between June 2016 and June 2017. This sensitivity allows for the change in lifetime mortgage and commercial mortgage asset value arising from an immediate fall of 20% in property prices. For lifetime mortgages, from 30 June 2017 onwards, the sensitivity assumes an additional 10% reduction in property prices over and above the 10% fall assumed in the base position. The sensitivity also allows for the corresponding change in liabilities as a result of the yield change.

22 Insurance contracts and related reinsurance continued

The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The impacts indicated above for insurance contracts also reflect movements in financial derivatives, which are impacted by movements in interest rates. Related reinsurance assets are not impacted by financial derivatives.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty, and the assumption that there is a parallel shift in interest rates at all durations.

23 Investment contract liabilities

	Year ended 31 December 2016 £m	Year ended 30 June 2015 £m
Balance at start of period	228.3	197.4
Deposits received from policyholders	32.4	49.1
Payments made to policyholders	(53.9)	(21.7)
Change in contract liabilities recognised in profit or loss	15.5	3.5
Balance at end of period	222.3	228.3

Recoveries from reinsurers on investment contracts were £28.5m (2015: £nil) as shown in note 16.

(a) Terms and conditions of investment contracts

The Group writes Flexible Pension Plan products for the at-retirement market. Policyholder premiums are invested in selected unit-linked funds, with the policyholder able to drawdown on funds, the return on which will be based on actual investment returns.

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

(b) Principal assumptions underlying the calculation of investment contracts

Valuation discount rates

Valuation discount rate assumptions for investment contracts are set with regards to yields on supporting assets. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on historical default experience of each asset class.

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

	31 December 2016 %	30 June 2015 %
Valuation discount rates		
Investment contracts	3.18	3.96

24 Loans and borrowings

	31 December 2016 £m	30 June 2015 £m
Bank borrowings	–	46.9
Subordinated debt	343.1	–
Total loans and borrowings	343.1	46.9

Bank borrowings

On 25 September 2012, Just Retirement (Holdings) Limited entered into a £35m five-year term loan agreement provided by Royal Bank of Scotland plc. On 9 May 2013, Deutsche Bank AG and Nomura International plc acceded to the loan agreement under the terms of an accordion feature, with each providing loans of £10m to Just Retirement (Holdings) Limited. On 7 August 2015, Just Retirement (Holdings) Limited entered into an amendment to the original loan agreement and on 10 August 2015 drew down a further £30m from each of Royal Bank of Scotland plc and Barclays Bank plc. £3.6m of the loan was repaid on 11 October 2013, £4.5m was repaid on 11 October 2014, and £8.8m was repaid on 11 October 2015. The outstanding balance was repaid in full in October 2016.

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

Notes to the consolidated financial statements continued

24 Loans and borrowings continued

Subordinated debt

In March 2015, the Partnership Group issued a £100m Solvency II Tier 2 qualifying instrument at par with a maturity date of March 2025 and a coupon of 9.5%. Net of issuance fees the amount received was £99.9m. The fair value of the debt at the date of acquisition of PAG was £94.1m, and the difference to the nominal value is being amortised over the period to maturity. The carrying value at 31 December 2016 of £94.6m compares with a fair value of £105.5m.

On 26 October 2016, JRP issued a £250m Solvency II Tier 2 qualifying instrument at par with a maturity date of October 2026 and a coupon of 9%. Subordinated guarantee has been provided by Just Retirement Limited. Net of issuance fees the amount received was £248.8m and the difference to the nominal value is being amortised over the period to maturity. The carrying value at 31 December 2016 of £248.5m was similar to fair value.

25 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	31 December 2016 £m	30 June 2015 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	189.3	74.3
Obligations for repayment of cash collateral received	(a)	52.2	18.6
Deposits received from reinsurers	(b)	2,741.1	–
Liabilities measured using insurance rules under IFRS 4			
Deposits received from reinsurers	(b)	2,490.3	2,473.6
Reinsurance finance	(c)	65.9	76.7
Reinsurance funds withheld	(d)	202.0	–
Total other liabilities		5,740.8	2,643.2

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 £5,021.1m (30 June 2015: £2,292.5m).

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

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

(b) Deposits received from reinsurers

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

(c) Reinsurance finance

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

(d) Reinsurance funds withheld

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

26 Derivative financial instruments

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, inflation and foreign exchange risk, including interest rate swaps, interest rate swaptions, inflation swaps, credit default swaps, and foreign currency asset swaps.

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
Foreign currency swaps	0.8	113.5	764.2
Interest rate swaps	67.8	55.4	1,182.8
Interest rate swaptions	–	–	1,140.0
Inflation swaps	33.1	18.8	1,220.0
Forward swap	3.8	1.6	343.8
Credit default swaps	1.5	–	43.4
Total at 31 December 2016	107.0	189.3	4,694.8

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
Foreign currency swaps	29.7	4.0	368.4
Interest rate swaps	15.1	70.3	314.0
Interest rate swaptions	6.1	–	1,140.0
Inflation swap	–	–	6.5
Total at 30 June 2015	50.9	74.3	1,828.9

The Group's derivative financial instruments are not designated as hedging instruments 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 31 December 2016, the Company had pledged collateral of £176.6m (30 June 2015: £55.6m) of which £105.6m were gilts and European Investment Bank bonds (30 June 2015: £38.4m) and had received cash collateral of £52.2m (30 June 2015: £18.6m). Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Movement in fair value of derivative instruments	3.3	15.7
Realised losses on interest rate swaps closed	(68.5)	(145.0)
Total amounts recognised in profit or loss	(65.2)	(129.3)

27 Reinsurance

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

- DB is 55% reinsured for underwritten schemes, and 75% for non-underwritten schemes (55% prior to 1 January 2016)
- GfL is 75% reinsured (45% prior to 1 January 2016)
- Care is 42.5% reinsured (90% prior to 1 April 2016)
- Protection is 65% reinsured

In-force business is reinsured under longevity swap and quota share treaties. The quota share treaties have deposit back or premium withheld arrangements to remove the majority of the reinsurer credit risk.

Notes to the consolidated financial statements continued

27 Reinsurance continued

The quota share treaties entered into by the Group's subsidiary, Just Retirement Limited ("JRL"), include financing arrangements (see note 25c), the repayment of which is contingent upon the emergence of surplus under the old Solvency I valuation rules. The Group retains a capital benefit under Solvency II from the financing arrangements as these form part of the transitional calculations. These treaties also allow JRL to recapture business once the financing has been repaid. During the period the Group recaptured business in respect of certain underwriting years that resulted in a decrease of ceded liabilities of £1,166.9m and a reduction of equal amount in the deposit received.

In addition to the deposits received from reinsurers recognised within other financial liabilities (see note 25b), certain reinsurance arrangements within the Group's subsidiary, Partnership Life Assurance Company Limited, give rise to deposits from reinsurers that are not included in the Consolidated statement of financial position of the Group as described below:-

- The Group has an agreement with two reinsurers (30 June 2015: nil) whereby financial assets arising from the payment of reinsurance premiums, less the repayment of claims, in relation to specific treaties are legally and physically deposited back with the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as any returns on the deposits are paid to reinsurers. Consequently the deposits are not recognised as assets of the Group and the investment income they produce does not accrue to the Group.
- The Group has an agreement with one reinsurer (30 June 2015: nil) whereby assets equal to the reinsurer's full obligation under the treaty are deposited into a ringfenced collateral account. The Group has first claim over these assets should the reinsurer default, but as the Group has no control over these funds and does not accrue any future benefit, this fund is not recognised as an asset of the Group.

	31 December 2016 £m	30 June 2015 £m
Deposits managed by the Group	235.6	–
Deposits held in trust	296.9	–
Total deposits not included in the Consolidated statement of financial position	532.5	–

28 Other provisions

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Balance at start of period	1.5	4.8
Amounts charged to Consolidated statement of comprehensive income	11.9	0.2
Amounts utilised	(3.7)	(2.2)
Amounts released	(1.2)	(1.3)
Balance at end of period	8.5	1.5

Of the amount charged to Consolidated statement of comprehensive income in the period, £5.3m was in respect of the cost of staff redundancies.

Other provisions at 31 December 2016 include onerous leases 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 £2.3m (30 June 2015: £0.5m).

29 Current tax

Current tax assets/liabilities receivable/payable in more than one year are £nil (30 June 2015: £nil).

30 Accruals and deferred income

Accruals and deferred income payable in more than one year are £1.5m (30 June 2015: £0.7m).

31 Insurance and other payables

	31 December 2016 £m	30 June 2015 £m
Payables arising from insurance and reinsurance contracts	28.1	15.6
Other payables	85.0	7.1
Total insurance and other payables	113.1	22.7

Insurance and other payables due in more than one year are £nil (30 June 2015: £2.0m).

32 Commitments**Operating leases**

The Group leases a number of properties under operating leases.

The future minimum lease payments payable over the remaining terms of non-cancellable operating leases are as follows:

	31 December 2016 £m	30 June 2015 £m
Less than one year	4.4	1.5
Between one and five years	12.7	6.0
More than five years	5.6	0.3
Total future minimum lease payments	22.7	7.8

Capital commitments

The Group had no capital commitments as at 31 December 2016 (30 June 2015: £nil).

33 Contingent liabilities

The Group had no contingent liabilities as at 31 December 2016 (30 June 2015: £nil).

34 Financial and insurance risk management

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

(a) Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten 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.

Notes to the consolidated financial statements continued

34 Financial and insurance risk management continued

Underpinning the management of insurance risk are:

- The development and use of medical information including Prognosys™ for both pricing and reserving to provide detailed insight into longevity risk;
- adherence to approved underwriting requirements;
- controls around the development of suitable products and their pricing;
- review and approval of assumptions used by the Board;
- regular monitoring and analysis of actual experience;
- use of reinsurance to minimise volatility of capital requirement and profit; and
- monitoring of expense levels.

Concentrations of insurance risk

Concentration of insurance risk comes from improving longevity. Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates.

Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk or material currency risk.

Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, Retirement Income product monies are invested to match the asset and liability cash flows as closely as practicable. In practice it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies.

The Group's exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps and swaptions.

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

31 December 2016	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	572.3	–	–	–	–	572.3
Debt securities and other fixed income securities	949.1	2,492.7	2,651.2	3,658.9	–	9,751.9
Deposits with credit institutions	73.2	–	–	–	–	73.2
Derivative financial assets	4.4	11.7	12.9	78.0	–	107.0
Loans secured by residential mortgages	–	–	–	–	6,430.4	6,430.4
Loans secured by commercial mortgages	–	64.0	99.8	–	–	163.8
Other loans	3.8	–	–	188.7	–	192.5
Amounts recoverable from reinsurers on investment contracts	28.5	–	–	–	–	28.5
Total	1,631.3	2,568.4	2,763.9	3,925.6	6,430.4	17,319.6

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

34 Financial and insurance risk management continued

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	274.6	1,248.9	1,405.4	1,827.9	–	4,756.8
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	572.8	1,255.2	1,434.9	1,843.0	3,471.8	8,577.7

(ii) Property risk

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

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

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

(iii) Inflation risk

Inflation risk is the risk of fluctuations in the value of, or income from, specific assets or liabilities or both in combination, arising from relative or absolute changes in inflation or in the volatility of inflation.

Exposure to inflation occurs in relation to the Group's own management expenses and its matching of index-linked Retirement Income products. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the inflation risk associated with its index-linked Retirement Income products.

(iv) Currency risk

Currency risk arises from fluctuations in the value of, or income from, assets denominated in foreign currencies, from relative or absolute changes in foreign exchange rates or in the volatility of exchange rates.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. From time to time, the Group acquires fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolio. All material Group liabilities are in sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to eliminate the foreign exchange exposure as far as possible.

(c) Credit risk

Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

Credit risk exposures arise from:

- Holding fixed income investments where the main risks are default and market risk. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a "hold to maturity" strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment-grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 26).
- 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.

Notes to the consolidated financial statements continued

34 Financial and insurance risk management continued

- 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.

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 31 December 2016 and 30 June 2015.

	UK gilts £m	AAA £m	AA £m	A £m	BBB ¹ £m	Unrated £m	Total £m
31 December 2016							
Units in liquidity funds	–	569.3	3.0	–	–	–	572.3
Debt securities and other fixed income securities	645.7	790.6	919.0	3,432.4	3,582.6	381.6	9,751.9
Deposits with credit institutions	–	–	2.2	13.1	57.9	–	73.2
Derivative financial assets	–	–	1.0	25.5	80.5	–	107.0
Other loans	–	–	3.8	–	188.7	–	192.5
Loans secured by mortgages	–	–	–	–	–	6,594.2	6,594.2
Reinsurance	–	–	309.4	342.8	–	–	652.2
Insurance and other receivables	–	–	–	–	–	137.3	137.3
Total	645.7	1,359.9	1,238.4	3,813.8	3,909.7	7,113.1	18,080.6
30 June 2015							
Units in liquidity funds	–	254.9	–	–	–	25.3	280.2
Debt securities and other fixed income securities	749.3	49.6	246.0	1,713.4	1,814.2	184.3	4,756.8
Deposits with credit institutions	–	–	–	0.9	17.1	–	18.0
Derivative financial assets	–	–	–	17.5	33.4	–	50.9
Loans secured by mortgages	–	–	–	–	–	3,471.8	3,471.8
Reinsurance	–	–	2.6	0.9	–	–	3.5
Insurance and other receivables	–	–	–	0.6	–	33.5	34.1
Total	749.3	304.5	248.6	1,733.3	1,864.7	3,714.9	8,615.3

1 Includes BB and below of £150.7m (30 June 2015: £123.6m).

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 predominantly funded by advance Retirement Income premium payments, investment coupon receipts, and bond principal repayments out of which contractual payments need to be made. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

34 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.

	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
31 December 2016				
Subordinated debt	–	259.9	362.5	–
Derivative financial liabilities	34.6	35.5	149.6	–
Obligations for repayment of cash collateral received	52.1	–	–	–
Deposits received from reinsurers	400.3	1,506.8	5,342.7	–
Reinsurance finance	–	–	–	65.9
Reinsurance funds withheld	17.5	64.8	179.1	–
	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
30 June 2015				
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

35 Capital

Since 1 January 2016, the Group has been required to measure and monitor its capital resources on a new regulatory basis and to comply with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK. The Group and its regulated subsidiaries are required to maintain eligible capital, or 'Own Funds' in excess of the value of their Solvency Capital Requirements (SCR). The SCR represents the risk capital required to be set aside to absorb 1 in 200 year stress tests of each risk type that the JRP Group is exposed to, including longevity risk, property risk, credit risk, and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

In December 2015, Just Retirement Group plc and Just Retirement Limited received approval to calculate their Solvency II capital requirements using a full internal model which continued to be used for those parts of the Group at December 2016. The capital requirement for the ex-Partnership business is assessed using the standard formula.

The surplus of Own Funds over the SCR is called "Excess Own Funds" and this effectively acts as working capital for the Group. The over-riding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due.

The Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/or which impact the quantum of risk to which the Group is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could impact the Group's capital position, which in turn could have a negative effect on the Group's results of operations.

The Group's objectives when managing capital for all subsidiaries are:

- To comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory requirements;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Notes to the consolidated financial statements continued

35 Capital continued

Group entities that are under supervisory regulation and are required to maintain a minimum levels of regulatory capital include:

- Just Retirement Limited and Partnership Life Assurance Company Limited – authorised by the PRA, and regulated by the PRA and FCA.
- Just Retirement Solutions Limited, Just Retirement Money Limited, and Partnership Home Loans Limited – authorised and regulated by the FCA – Just Retirement Solutions Limited, Just Retirement Money Limited, and Partnership Home Loans Limited.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Group capital position

The Group's estimated capital surplus position at 31 December 2016, which is unaudited, and is stated after including 12 months' amortisation of transitional relief was as follows:

31 December 2016 (unaudited)	JRP Group £m
Eligible Own Funds	2,192.5
Solvency Capital Requirement	1,449.0
Excess Own Funds	743.5
Solvency ratio	151%

36 Group entities

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

	Principal activity	Registered Office	Percentage of nominal share capital and voting rights held
Just Retirement Group Holdings Limited	Holding company	Reigate	100%
Just Retirement (Holdings) Limited ¹	Holding company	Reigate	100%
Just Retirement Limited ¹	Life assurance	Reigate	100%
Just Retirement Finance plc ¹	Dormant	Reigate	100%
Just Re 1 Limited ¹	Investment activity	Reigate	100%
Just Re 2 Limited ¹	Investment activity	Reigate	100%
Just Retirement Solutions Limited ¹	Distribution	Reigate	100%
Just Retirement Management Services Limited ¹	Management services	Reigate	100%
TOMAS Acquisitions Limited ³	Holding company	Reigate	100%
The Open Market Annuity Service Limited ¹	Software solutions	Belfast	100%
TOMAS Online Development Limited ¹	Software development	Belfast	100%
HUB Financial Solutions Limited	Dormant	Reigate	100%
Just Retirement (South Africa) Holdings (Pty) Limited ¹	Holding company	South Africa	100%
Just Retirement Life (South Africa) Limited ¹	Life assurance	South Africa	100%
Just Retirement Money Limited ¹	Provision of lifetime mortgage products	Reigate	100%
JRP Nominees Limited ¹	Dormant	Reigate	100%
Just Retirement Nominees Limited ¹	Dormant	Reigate	100%
Just Equity Release Limited ¹	Dormant	Reigate	100%
Just Annuities Limited ¹	Dormant	Reigate	100%
Just Protection Limited ¹	Dormant	Reigate	100%
Just Incorporated Limited ¹	Dormant	Reigate	100%
Fairflex Limited ¹	Dormant	Reigate	100%
Enhanced Retirement Limited ¹	Dormant	Reigate	100%
Transfer Right Limited ¹	Dormant	Reigate	100%
Partnership Assurance Group plc	Holding company	London	100%
PAG Holdings Limited ¹	Dormant	Jersey	100%

	Principal activity	Registered Office	Percentage of nominal share capital and voting rights held
PAG Finance Limited ¹	Dormant	Jersey	100%
Partnership Holdings Limited ¹	Holding company	London	100%
Partnership Group Holdings Limited ¹	Holding company	London	100%
Partnership Life Assurance Company Limited ¹	Life assurance	London	100%
Partnership Home Loans Limited ¹	Provision of lifetime mortgage products	London	100%
Partnership Services Limited ¹	Management services	London	100%
Payingforcare Limited ¹	Website	Reigate	100%
PASPV Limited ¹	Investment activity	London	100%
PAERSPV Limited ¹	Investment activity	London	100%
Partnership Life US Company ¹	Management services	USA	100%
Eldercare Group Limited ²	Independent financial advisers	London	33%
Eldercare Solutions Ltd ²	Independent financial advisers	London	33%
Eldercare Property Partners Limited ²	Independent financial advisers	London	33%
Care Fees Investment Limited ²	Independent financial advisers	London	33%

1 Indirect subsidiary 2 Associate 3 Class "A" and Class "B" ordinary shares.

Registered offices

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

London office:
5th Floor, 110 Bishopsgate
London EC2N 4AY

Belfast office:
3rd Floor, Arena Building
Ormeau Road
Belfast BT7 1SH

Jersey office:
44 Esplanade
St Helier
Jersey JE4 9WG

United States office:
2711 Centerville Road, Suite 400
Wilmington
Delaware

South Africa office:
Office G01, Big Bay Office Park
16 Beach Estate Boulevard, Big Bay
Western Cape 7441

37 Related parties

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

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

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Short-term employee benefits	6.3	7.0
Share-based payments	3.5	1.2
Total key management compensation	9.8	8.2
Loans owed by Directors	0.3	–
Loans advanced to associate and fees on loans	0.2	–

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time. Loans are regularly advanced to the Group's associate, Eldercare, to provide short-term prefunding for policy holder annuity purchases.

38 Ultimate Parent Company and ultimate controlling party

Prior to the 1 April 2016 the ultimate Parent undertaking of the Group was Avallux S.à.r.l., a Company incorporated in Luxembourg. Following the share exchange to acquire the entire share capital of Partnership Assurance Group plc on this date, the Company did not have a controlling party.

39 Post balance sheet events

Subject to approval by shareholders at the AGM, the final dividend for 2016 of 2.4 pence per ordinary share, amounting to £22.4 million, will be paid on 26 May 2017 and accounted for as an appropriation of retained earnings in the year ending 31 December 2017. There are no other post balance sheet events that have taken place between 31 December 2016 and the date of this report.

Statement of changes in equity of the Company

For the 18 months ended 31 December 2016

18 months ended 31 December 2016	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
Balance at 1 July 2015	50.1	–	–	(0.7)	261.8	311.2
Profit for the period	–	–	–	–	74.7	74.7
Total comprehensive income for the period	–	–	–	–	74.7	74.7
Contributions and distributions						
Shares issued (net of issue costs)	43.2	90.5	532.7	–	–	666.4
Dividends	–	–	–	–	(32.9)	(32.9)
Share-based payments	–	–	–	(0.9)	17.7	16.8
Total contributions and distributions	43.2	90.5	532.7	(0.9)	(15.2)	650.3
Balance at 31 December 2016	93.3	90.5	532.7	(1.6)	321.3	1,036.2

Year ended 30 June 2015	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
Balance at 1 July 2014	50.1	–	–	(0.1)	277.6	327.6
Loss for the period	–	–	–	–	(2.6)	(2.6)
Total comprehensive income for the year	–	–	–	–	(2.6)	(2.6)
Contributions and distributions						
Dividends	–	–	–	–	(16.5)	(16.5)
Share-based payments	–	–	–	(0.6)	3.3	2.7
Total contributions and distributions	–	–	–	(0.6)	(13.2)	(13.8)
Balance at 30 June 2015	50.1	–	–	(0.7)	261.8	311.2

Statement of financial position of the Company

As at 31 December 2016

Company number: 08568957	Note	31 December 2016 £m	30 June 2015 £m	1 July 2014 £m
Assets				
Non-current assets				
Investment in subsidiary undertakings	2	1,124.2	256.7	212.4
Current assets				
Financial assets	3	156.1	54.2	115.1
Amounts due from Group undertakings		7.9	0.1	0.3
Prepayments and accrued income		–	–	–
Cash and cash equivalents		3.6	0.8	0.3
		167.6	55.1	115.7
Total assets		1,291.8	311.8	328.1
Equity				
Share capital	4	93.3	50.1	50.1
Share premium	4	90.5	–	–
Merger reserve		532.7	–	–
Shares held by trusts		(1.6)	(0.7)	(0.1)
Accumulated profit		321.3	261.8	277.6
Total equity		1,036.2	311.2	327.6
Liabilities				
Non-current liabilities				
Subordinated debt		248.5	–	–
Current liabilities				
Other payables		7.1	0.6	0.5
		7.1	0.6	0.5
Total liabilities		255.6	0.6	0.5
Total equity and liabilities		1,291.8	311.8	328.1

The financial statements were approved by the Board of Directors on 9 March 2017 and were signed on its behalf by:



Simon Thomas
Director

Statement of cash flows of the Company

For the 18 months ended 31 December 2016

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Cash flows from operating activities		
Profit/(loss) before tax	69.8	(3.1)
Share-based payments	(0.9)	(0.6)
Income from shares in Group undertakings	(114.4)	–
Interest income	(8.2)	(2.9)
Interest expense	4.1	–
(Decrease)/increase in other payables	(0.9)	0.8
Interest received	8.2	–
Net cash outflow from operating activities	(42.3)	(5.8)
Cash flows from investing activities		
Decrease in financial assets	26.7	24.2
Capital injections in subsidiaries	(30.0)	(41.0)
Loans to subsidiaries	(250.0)	–
Dividends received	114.4	–
Net cash outflow from investing activities	(138.9)	(16.8)
Cash flows from financing activities		
Increase in borrowings	248.5	–
Dividends paid	(32.9)	(16.5)
Issue of ordinary share capital (net of costs)	96.9	–
Net cash inflow/(outflow) from financing activities	312.5	(16.5)
Net increase/(decrease) in cash and cash equivalents	131.3	(39.1)
Cash and cash equivalents at start of period	2.0	41.1
Cash and cash equivalents at end of period	133.3	2.0
Cash available on demand	3.6	0.8
Units in liquidity funds	129.7	1.2
Cash and cash equivalents at end of period	133.3	2.0

Notes to the Company financial statements

1 Accounting policies

General information

JRP Group plc (“the Company”) was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares.

As explained in note 2 to the consolidated financial statements Just Retirement Group plc (“JRG”) changed its name to JRP Group plc (“JRP”) on 4 April 2016, the same day as the completion of the merger of JRG and Partnership Assurance Group plc (“PAG”). Effective control passed on 1 April 2016 and PAG is included in the consolidated accounts from this date. In May 2016 JRP changed its accounting reference date from 30 June to 31 December. As such, these financial statements comprise the financial statements of JRP Group plc (formerly Just Retirement Group plc) as at, and for the 18 month period ended, 31 December 2016.

Adoption of International Financial Reporting Standards

This is the Company’s first results prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared in accordance with IFRS and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The date of transition to IFRS is 1 July 2014. There are no differences between the previously reported results for the year ended 30 June 2015 as a result of the transition to IFRS.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Reporting Standards (“IFRS”) as adopted by the European Union effective for accounting periods commencing on or before 1 July 2015 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies followed in the company financial statements are the same as those in the consolidated accounts. Values are expressed to the nearest £0.1m.

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own income statement and statement of comprehensive income. The retained profit arising in the period amounts to £74.7m (year to 30 June 2015: loss of £2.6m).

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 temporary 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 temporary 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. Investments in subordinated debt issued by subsidiary companies are valued at amortised cost.

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 IFRS 2, 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.

Notes to the Company financial statements continued

2 Investments in subsidiary undertakings

	Shares in group undertakings £m	Loans to group undertakings £m	Total £m
Shares in subsidiary undertakings			
At 1 July 2015	256.7	–	256.7
Acquisition of Partnership Assurance Group plc	571.9	–	571.9
Additions	45.6	250.0	295.6
At 31 December 2016	874.2	250.0	1,124.2
At 1 July 2014	212.4	–	212.4
Additions	44.3	–	44.3
At 30 June 2015	256.7	–	256.7

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 36 to the Group financial statements.

Additions to shares in group undertakings relate to shares issued by Just Retirement Group Holdings Limited and the cost of share-based payments for services provided by employees of subsidiary undertakings to be satisfied by shares issued by the Company.

On 26 October 2016, subsidiary undertaking Just Retirement Limited issued a £250m Solvency II Tier 2 qualifying instrument to the Company at par with a maturity date of October 2026 and a coupon of 9% as Subordinated guarantee for the debt issued by the Company as explained in note 5.

3 Financial assets

	31 December 2016 £m	30 June 2015 £m	1 July 2014 £m
Fair value			
Units in liquidity funds	129.7	1.2	40.8
Debt securities and other fixed income securities	26.4	53.0	74.3
Total fair value	156.1	54.2	115.1
Cost			
Units in liquidity funds	129.7	1.2	40.8
Debt securities and other fixed income securities	28.3	53.8	74.3
Total cost	158.0	55.0	115.1

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

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

Units in liquidity funds are all classified as Level 1 and debt securities and other fixed income securities are all classified as Level 2 in the fair value hierarchy. There have been no transfers between Level 1 and 2 during the period.

4 Share capital

Details of the Company's ordinary share capital and share premium account are shown in note 21 to the Group financial statements.

5 Subordinated debt

Details of the Company's subordinated debt are shown in note 24 to the Group financial statements.

6 Related party transactions

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

(a) Trading transactions and balances

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

	18 months ended 31 December 2016 £m	Year ended 30 June 2015 £m
Staff costs, directors remuneration, operating expenses and management fees charged by Just Retirement Management Services Limited	46.2	5.5
Loan advances to Just Retirement Limited	250.0	–
Interest on loan balances charged to Just Retirement Limited	4.1	–
Dividends from Partnership Assurance Group plc	4.4	–
Dividends from Just Retirement Group Holdings Limited	110.0	–

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

	31 Dec 2016 £m	30 June 2015 £m	1 July 2014 £m
Just Retirement Management Services Limited	(0.8)	(0.5)	(0.4)

The following balances in respect of related parties were owed to the Company at the end of the period:

	31 December 2016 £m	30 June 2015 £m	1 July 2014 £m
Loan to Just Retirement Limited (including interest)	254.1	–	–
Amounts owed for group corporation tax	1.2	–	0.1
Just Retirement (Holdings) Limited	0.4	–	–
Just Retirement Group Holdings Limited	–	–	0.2

(b) Key management compensation

Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 37 to the Group financial statements.

Independent Auditor's report

to JRP Group plc on the European Embedded Value ("EEV") basis supplementary information

We have audited the EEV basis supplementary information ("the supplementary information") of JRP Group plc ("the Company") for the 18 month period ended 31 December 2016 set out on pages 156 to 166. The financial reporting framework that has been applied in the preparation of the supplementary information in accordance with the CFO Forum's Principles and Guidance on EEV reporting dated April 2016 ("EEV Principles") using the methodology and assumptions set out on pages 160 to 166. The supplementary information should be read in conjunction with the Group financial statements which are on pages 100 to 169.

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 155, 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 Company'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 financial statements 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 18 months ended 31 December 2016 has been properly prepared, in all material respects, in accordance with the EEV Principles using the methodology and assumptions set out on pages 160 to 166.



Ben Priestley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
9 March 2017

Statement of Directors' responsibilities in respect of the European Embedded Value ("EEV") basis supplementary financial statements

The Directors of JRP Group plc have chosen to prepare supplementary financial statements in accordance with the CFO Forum's Principles and Guidance on EEV reporting dated April 2016 ("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.

The supplementary financial statements were approved by the Board of Directors on 9 March 2017 and were signed on its behalf by:



Rodney Cook
Group Chief Executive Officer
9 March 2017



Simon Thomas
Group Chief Financial Officer

Reconciliation of IFRS shareholders' net equity to EEV

	31 December 2016 £m	31 December 2015 ³ £m	30 June 2015 £m
Shareholders' net equity on IFRS basis	1,610.6	921.5	814.0
Goodwill	(33.1)	(32.8)	(32.8)
Intangibles	(183.9)	(35.5)	(37.3)
Adjustments to IFRS	58.4	(263.8)	(142.5)
EEV net worth	1,452.0	589.4	601.4
Value of in-force business			
Present value of future profits	674.7	624.4	525.8
Cost of residual non-hedgeable risks	(56.3)	(13.4)	(11.9)
Frictional cost of capital	(23.4)	(31.2)	(28.6)
Deferred Tax Asset	–	31.1	8.7 ¹
Time Value of Options and Guarantees	–	(56.5)	(76.1) ²
EEV (net of taxation)	2,047.0	1,143.8	1,019.3

- 1 The EEV as at 30 June 2015 and 31 December 2015 was calculated on the previous methodology based on Solvency I, which included a deferred tax asset within the Value In-Force ("VIF"). The changes to deferred tax assets as at 31 December 2016 have now been included within the adjustments to IFRS line.
- 2 The Time Value of Options and Guarantees ("TVOG") included within the VIF at 30 June 2015 and 31 December 2015 included an amount reflecting a quantification of the reduction in the yield of lifetime mortgages and the impact this has on the liquidity premium (primarily arising from assumption differences between the IFRS valuation and the Solvency I valuation of TVOG). With the alignment to IFRS, this is no longer required.
- 3 Extracted from the unaudited interim results for the period ending 30 June 2016.

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. Under EEV, the total profit recognised over the lifetime of a policy is the same as that recognised under IFRS but the timing of recognition is different. 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.

Following the change in solvency regime to Solvency II from 1 January 2016, the Group has prepared its EEV with the covered business being valued consistently with IFRS. This has resulted in the difference in the adjustments to IFRS relative to prior periods. For 2016, the adjustments to IFRS reflect certain valuation differences between IFRS and EEV.

Statement of change in Group embedded value and analysis of movement in the value of covered business

For the 18 months ended 31 December 2016

The statement of change in embedded value and analysis of movement in the value of the covered business represents the change for the 18 months ended 31 December 2016 for the JRP Group, together with the comparative figures for the 12 month period ended 30 June 2015.

Following the change in solvency regime to Solvency II from 1 January 2016, the Group has prepared its EEV, with the covered business liabilities being valued consistently with IFRS. In the tables below, the results up to 31 December 2015 have been prepared with the covered business liabilities being valued under the previous Solvency I regime and the following 12 month results reflect the current EEV basis. The change in methodology as at December 2015 in the table below captures the impact of these changes. The EEV earnings in the twelve months following 31 December 2015 include nine months of post-acquisition PAG EEV earnings as well as twelve months of JRG EEV earnings.

	18 months ended 31 December 2016			Year ended 30 June 2015 £m
	Covered business £m	Non-covered business £m	Total £m	
Opening Group EEV	782.8	236.5	1,019.3	959.1
Operating EEV earnings	87.8	2.7	90.5	53.6
Non-operating EEV earnings	(33.9)	(18.1)	(52.0)	25.5
Total EEV earnings	53.9	(15.4)	38.5	79.1
Other movements in IFRS net equity	–	1.5	1.5	0.9
Dividend and capital flows	30.0	54.5	84.5	(11.0)
Closing Group EEV at December	866.7	277.1	1,143.8	1,028.1
Methodology Change as at December 2015	6.5	–	6.5	–
Restated 2015 EEV	873.2	277.1	1,150.3	1,028.1
Acquisition of Partnership Assurance Group	571.8	63.8	635.6	–
Operating EEV earnings	186.8	(9.6)	177.2	36.5
Non-operating EEV earnings	143.5	(51.0)	92.5	(41.6)
Total EEV earnings	330.3	(60.6)	269.7	(5.1)
Other movements in IFRS net equity	–	11.9	11.9	1.8
Dividend and capital flows	10.0	(30.5)	(20.5)	(5.5)
Closing Group EEV	1,785.3	261.7	2,047.0	1,019.3

Other movements in IFRS net equity mainly consist of the impact of share based payments on the EEV. In the period the Group raised £97.0m of capital, net of issue costs, which increased EEV, and paid dividends of £32.9m, which reduced EEV. A total of £40.0m of capital was injected into the covered business from the non-covered business.

Statement of change in Group embedded value and analysis of movement in the value of covered business continued

To better demonstrate the movement in embedded value, the composition of the embedded value profit for the current period is shown separately between the movement in shareholders' net worth and the value of in-force business, for covered business only.

18 months ended 31 December 2016

	Shareholders' net worth £m	Value of in-force business £m	Total £m	Year ended 30 June 2015 £m
Opening EEV	364.9	417.9	782.8	699.1
New business value	(34.8)	105.8	71.0	48.6
Expected existing business contribution (reference rate and in excess of reference rate)	1.7	15.6	17.3	13.8
Transfers from VIF and required capital to free surplus	25.4	(25.4)	–	–
Experience variances	(52.6)	49.1	(3.5)	(10.1)
Assumption changes	(26.8)	37.8	11.0	6.9
Other operating variances	(8.0)	–	(8.0)	(6.9)
Operating EEV earnings	(95.1)	182.9	87.8	52.3
Economic variances	12.5	(46.4)	(33.9)	27.2
Total EEV earnings	(82.6)	136.5	53.9	79.5
Dividend and capital flows	30.0	–	30.0	10.0
Closing Group EEV at December	312.3	554.4	866.7	788.6
Methodology change as at December 2015	269.5	(263.0)	6.5	–
Restated 2015 EEV	581.8	291.4	873.2	788.6
Acquisition of Partnership Assurance Group	401.5	170.3	571.8	–
New business value	100.6	40.9	141.5	49.5
Expected existing business contribution (reference rate and in excess of reference rate)	–	25.2	25.2	16.3
Transfers from VIF and required capital to free surplus	22.7	(22.7)	–	–
Experience variances	(19.1)	3.9	(15.2)	(13.0)
Assumption changes	21.9	7.1	29.0	(7.4)
Other operating variances	7.2	(0.9)	6.3	(7.6)
Operating EEV earnings	133.3	53.5	186.8	37.8
Economic variances	72.2	71.4	143.6	(43.6)
Other non-operating variances	(8.0)	7.9	(0.1)	–
Total EEV earnings	197.5	132.8	330.3	(5.8)
Dividend and capital flows	10.0	–	10.0	–
Closing EEV	1,190.8	594.5	1,785.3	782.8

The movement in EEV of the covered business is discussed in more detail below:

The acquisition of PAG has increased EEV for covered business by £571.8m. This figure has been revised from the figure disclosed at June 2016 in line with the revisions to the acquisition balance sheet in the primary financial statements.

Following the change in solvency regime to Solvency II from 1 January 2016, the Group has prepared its EEV with the covered business liabilities being valued consistently with IFRS instead of the previous Solvency I regime. The impact of this methodology change has been reflected as at 31 December 2015 and has resulted in an increase in EEV of £6.5m. Whilst the impact on total EEV has been small, there was a large increase in the shareholders' net worth that was offset by a reduction in the value of in-force business to reflect the lower provisions for adverse deviations held in the IFRS reserves relative to the Solvency I Pillar 1 reserves. The figures for the impact of the methodology change have been revised from the figures disclosed at June 2016 to reflect refinements to harmonise the implementation of the revised methodology across the Group.

Operating EEV earnings increased embedded value by £274.6m in the period, primarily from the value of new business written in the period of £212.5m. Operating EEV earnings also include £42.5m in respect of the expected contribution from existing business. The remaining £18.5m of operating EEV earnings arises from operating assumption changes which have partly been offset by experience variances, interest payable on the subordinated debt, and expenses in the non-covered business.

Non-operating EEV earnings increased embedded value by £109.6m, primarily due to positive economic variance from the fall in risk free rates over 2016. Transaction and integration costs with regards to the merger of £64.1m (pre-tax) reduced the non-operating EEV earnings.

Notes to the European Embedded Value results

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 prepared these supplementary financial statements in accordance with the European Embedded Value Principles and associated guidance issued in April 2016 by the European Insurance CFO Forum ("CFO Forum").

These principles permit, but do not require, the use of projection methods and assumptions applied for market consistent solvency regimes. JRP has not aligned its EEV methodology and assumptions with Solvency II. The valuation of covered (long term business) business liabilities underlying the EEV is consistent with the methods and assumptions used for the primary financial statements which are prepared under IFRS.

The Group uses EEV methodology to value all lines of insurance business within Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"), representing the covered business of the Group. No other Group companies contain material amounts of covered business. For other Group companies, the net worth is the IFRS net asset value less the value of goodwill and intangibles. The Group EEV includes the value of subordinated debt at fair value.

The acquisition of Partnership Assurance Group plc ("PAG") by Just Retirement Group plc ("JRG") took place on 1 April 2016, at which point Just Retirement Group plc was renamed JRP Group plc ("JRP"). These supplementary statements of JRP report on JRP's EEV for the 18 month period to 31 December 2016 following the change in JRP's reporting date to 31 December. The transaction has been accounted for as a business combination in which JRG acquired PAG on 1 April 2016. As such, the result for JRP has included PAG's embedded value as an acquisition at 1 April 2016 and includes the impact of changes in PAG's EEV for the nine months from 1 April 2016 to 31 December 2016.

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.

Following the change in solvency regime to Solvency II from 1 January 2016, the Group has prepared its EEV with the covered business liabilities being valued consistently with IFRS. As part of the acquisition of PAG, the methodologies for calculating the EEV and material economic assumptions were harmonised across the two groups. The notes that follow generally apply to the calculation of the embedded values for both JRL and PLACL. Any differences are commented on as appropriate.

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 in determining the embedded value.

The embedded value is the sum of the net worth of the Group companies, plus the value of in-force covered business. The embedded value is calculated net of the impacts of reinsurance and allows for taxation based on current legislation and enacted future changes.

The net worth is the market value of the shareholders' net assets. The shareholders' net assets in respect of the life companies are taken from the IFRS consolidated statement of the financial position with adjustment to value subordinated debt at fair value. 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 an IFRS basis.

The net worth in the covered business can be split into the free surplus and required capital. The free surplus is the market value of asset attributed to, but not required to support, the in-force covered business. The required capital is assessed as the market value of assets attributed to the covered business in excess of assets required to back liabilities and for which distribution to shareholders is restricted. The level of required capital is set with regards to the regulatory capital requirements (i.e Solvency II) such that the free surplus is equal to Solvency II Excess Own Funds. This methodology reflects the level of capital considered by the Directors to be required to support the business.

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 and an allowance for non-hedgeable risks. 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 and an allowance for non-hedgeable risks. The figures shown also include the expected return between the point of sale and the reporting date.

2) Methodology continued

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 JRL and PLACL. In particular, it includes the long-term insurance business for UK regulatory purposes and principally comprising:

- Pension Guaranteed Income for Life Solutions (“GIFL”);
- Defined Benefit De-risking contracts (“DB”);
- Drawdown pension business contracts;
- Care Plans; and
- Protection.

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.

C. New business

All annuity business is written on a single premium basis. Premium increments received following policy issue are excluded from the value of new business. Single and regular premium protection business is included in new business. No allowance is made in the embedded value for the value of new business written after the reporting date.

Point-of sale economic assumptions and opening period non-economic assumptions are used to value the new business. Any variances or changes in assumptions after the point-of-sale are recorded within the analysis of EEV earnings as operating experience variances or operating assumption changes.

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-hedgeable 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 reference rate is defined in section E “Valuation of cash flows” below.

The future cash flows are those arising from the assets backing the liabilities as assessed on an IFRS basis and from the liabilities themselves. The calculation of the IFRS liabilities at future dates in the projection assumes the continuation of the bases used to calculate the liabilities at the valuation date.

(ii) Time value of financial options and guarantees (“TVOG”)

The certainty equivalent value calculation above is based on a single (base) deterministic economic scenario; however, a single scenario cannot appropriately allow for the effect of certain features of options and guarantees. If an option or guarantee affects shareholder cash flows in the base scenario, the impact is included in the certainty equivalent value and is referred to as the intrinsic value of the option or guarantee; however, as future investment returns are uncertain, the actual impact on shareholder profits may be higher or lower and hence allowance will have to be made for the TVOG.

The covered business does not contain any significant policyholder options or guarantees and therefore there is no explicit TVOG.

The assets backing the covered business include mortgages secured against individual domestic properties (lifetime mortgages). These mortgages contain a “no negative equity” guarantee. 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. This guarantee does not apply 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. The time value of this option and guarantee is allowed for in the asset valuation using closed form calculations, based on a variant of the Black-Scholes option pricing formula. The formula incorporates a number of assumptions, including those for risk-free interest rates, future property growth and future property price volatility. The value of this guarantee is allowed for through a reduction in the liquidity premium included in the VIF for covered business, and hence is not explicitly valued.

Notes to the European Embedded Value results continued

Supplementary financial statements

2) Methodology continued

(iii) Allowance for non-hedgeable risks

The key non-hedgeable risks faced by the Group are mortality (including longevity), early redemptions of lifetime mortgages, and operational risks.

No allowance has been made within the cost of non-hedgeable risks for symmetrical risks as the assumptions made regarding future experience are set so as to give the mean of the expected outcome (including allowing for the tails of the distribution). Mortality risk and the risk of early redemptions of lifetime mortgages are symmetrical and hence 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 and other asymmetric risk and the Group has made an explicit allowance for these risks.

In the valuation approach used, the market risks faced by the Group are allowed for directly in the valuation of the cash flows.

(iv) Frictional cost of capital

The additional costs to a shareholder of holding the assets backing the required capital within an insurance company rather than directly in the market are called frictional costs. These are deducted from the certainty equivalent value. The additional costs allowed for are the taxation costs on the investment return and any additional investment expenses on the assets backing the required capital.

Frictional costs are calculated by projecting the level of required capital. The projection of the required capital is based on an approximate method that assumes the required capital is a constant proportion of the projected IFRS liabilities. Tax on investment returns and investment expenses are payable on the assets backing required capital, up to the point that the required capital is released to shareholders.

E. Valuation of cash flows

Reference rates are calculated by adding the liquidity premiums derived from assets backing liabilities (mainly corporate bond and lifetime mortgages) to the swap curve. The liquidity premium on corporate bond assets is calculated by deducting an allowance for credit default, individually assessed for each bond based on credit rating, from the spread on each bond and comparing the resulting risk-adjusted internal rate of return on the portfolio to the swap curve. The lifetime mortgage assets are valued using a mark to model approach that allows for expected future expenses for the mortgages and the cost of the no-negative equity guarantee, where relevant, with the liquidity premium calculated on a consistent basis with corporate bonds.

For protection business, there is no allowance for a liquidity premium in the reference rate used to value the business.

(i) In-force business

For the in-force business, the liquidity premium has been derived using the method described above.

(ii) New business

For new business written during the period the liquidity premium varies by the month of policy inception. The liquidity premium adjustment applied to each month's new Retirement Income business is consistent with the method used to value the in-force business described above. For corporate bonds assumed to back the new business, the liquidity premium is calculated by deducting an allowance for credit default risk from the estimated spread for new bond purchases in the period. For lifetime mortgages the liquidity premium is calculated by equating the present value of all the matching cash flows for new lifetime mortgages discounted at the swap rate plus the liquidity premium to the point-of-sale IFRS asset value of the new matching mortgages.

F. Reinsurance

The Group has a number of reinsurance arrangements in place in respect of the GfL business, whereby part of the mortality risk is transferred to the reinsurers. The Group received 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 also has in place quota share, quota share with deposit back and mortality swap reinsurance arrangements for the GfL DB and Care business where part of the mortality risk on each contract is transferred to the reinsurers. The risk transfer for these contracts is reflected in the EEV.

G. Taxation

The projected cash flows take into account all tax which the Group expects to pay. The calculations are undertaken assuming rates based on current and expected future tax rates.

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 2016, 31 December 2015 and 30 June 2015 are shown in the following table.

Swap rates (at sample terms, %)	Term (years)				
	1	5	10	20	30
31 December 2016	0.6	0.9	1.2	1.5	1.4
31 December 2015	0.8	1.6	2.0	2.2	2.2
30 June 2015	0.8	1.7	2.2	2.4	2.4

The liquidity premiums used to value the annuity in-force business are as follows:

Liquidity premium, bps	JRG	PAG
31 December 2016	189	228
31 December 2015	192	n/a
30 June 2015	178	n/a

The liquidity premium for each month's new business has varied over the period but the effect is equivalent to an average adjustment as follows:

Liquidity premium, bps	JRG	PAG
31 December 2016	262	282
31 December 2015	228	n/a
30 June 2015	61	n/a

1 The liquidity premium methodology in JRL changed from 30 June 2015 and the value quoted above is therefore calculated under the previous methodology.

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. These assumptions were harmonised across the Group following the acquisition of PAG.

The market, against which these assumptions have been assessed, and the cost of the no-negative equity guarantee has been calibrated, is neither deep nor liquid. The Group has therefore set these assumptions taking into account historic, published, UK residential property price movements. The risk-free rate used in the variant of the Black-Scholes formula 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 made an assumption about future residential property price inflation. This has been derived by reference to the long-term expectation of the UK retail price inflation, "RPI", (consistent with the Bank of England inflation target) plus an allowance for the expectation of house price growth above RPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. This results in a single rate of future house price growth of 4.25%.

In June 2016, the Group took a view that due to external factors there may be potential disruption in the property market in the short term but these factors would not affect the long term view and hence adopted an assumption that house prices will fall by 10% (from levels as at 30 June 2016) by 30 June 2017 and would grow thereafter at a rate of 5.0% p.a. The Group has retained this assumption for the current valuation. The impact of this assumptions is broadly equivalent to using a flat 4.25% p.a. assumption. The methodology at 30 June 2015 had assumed that future house price growth was derived by adding a house price inflation spread (derived from historic UK retail price inflation rates) to a term structure of future inflation rates.

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 Group's portfolios compared with the market as a whole, the idiosyncratic risk. The volatility assumption used at 31 December 2016 was 12% p.a. (30 Jun 2015: 9.7% p.a.).

Notes to the European Embedded Value results continued

Supplementary financial statements

3) Assumptions continued

Expense inflation

The Group has harmonised this assumption across the life companies and products. The best estimate expense inflation assumption for 31 December 2016 is 4.3%. (As at 30 Jun 2015 the assumptions varied by products and ranged from 3.6% p.a. to 4.5% p.a.)

Taxation

The current and future tax rates used are the corporation tax rates as published by HM Treasury and take into account proposed changes to future tax rates. For the purposes of modelling tax on future profits, a calendar year assumption is set using a pro rata method based on the number of months at each effective rate. The blended corporation tax rates used were as follows:

Calendar year	Effective tax rate 31 December 2016
2016	20.00%
2017	19.25%
2018	19.00%
2019	19.00%
2020	17.50%
2021	17.00%

The rate of corporation tax assumed by JRG at 30 June 2015 was 20% for all future periods (being the effective tax rate at the valuation date). The above approach was adopted by the Group when harmonising assumptions as at 31 December 2015.

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 Group'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 reinsurers and management's own industry experience.

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 JRL assumptions for mortality have been updated from those used at 30 June 2015 to reflect the emerging experience on this business.

The decrement for moving into long-term care is expressed as a proportion of the underlying mortality assumption for the relevant lives. This assumption is unchanged from that used at 30 June 2015 for JRL.

The decrements for voluntary repayments are expressed as annual percentages of the portfolio in force and exhibit a term structure based on duration in-force. The JRL assumptions for rates of voluntary redemption have been updated from those used at 30 June 2015 to reflect the emerging experience on this business.

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 long-term maintenance expense allowances for each product at a level which it considers to be realistic. 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 2016 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 and have been charged to the non-operating earnings in the year incurred. Total non-recurring expenses for the 18 months ended 30 June 2016 were £18.4m for the Group's covered business (12 month period ended 30 Jun 2015: £16.8m).

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 covered business. The recognised loss in the distribution company has been accounted for on an IFRS basis, separately to the results of the covered business.

3) Assumptions continued

The remaining expenses are included within operating results of the distribution and other Group companies and have been accounted for on an IFRS basis.

Non-hedgeable risk

At 31 December 2016 the provision for non-hedgeable risk has been established as 0.35% of the best estimate reserves in respect of Retirement Income business for the combined Group (30 June 2015: 0.18% for JRG). The increase in this assumption is due to changes to the assessment of operational and expense risks. The implementation of the methodology has not yet been fully aligned between JRG and PAG. This assumption applies to new business from 1 January 2016. New business in the six months to 31 December 2015 uses the 30 June 2015 assumption of 0.18% of best estimate reserves at point of sale.

Required capital

At 31 December 2016, the amount of required capital has been assessed with reference to the Solvency II regulatory requirements.

This assumption is changed from that used as at 30 June 2015, which was based on 175% of JRL's capital resource requirement as set out in the Solvency I Pillar 1 regulations in force at that time.

Notes to the European Embedded Value results continued

Supplementary financial statements

4) Sensitivities

The Group embedded value at 31 December 2016 and the value of new business for the year to 31 December 2016 have been recalculated to show the sensitivity of the results to changes in certain of the assumptions discussed above.

No future management actions are modelled following the change to the assumptions. The results are shown net of tax.

For each of the sensitivities, all of the other assumptions remain unchanged, unless otherwise stated. Except where explicitly noted, the IFRS reserving basis is changed to reflect the revised assumptions in each sensitivity.

The sensitivities of the embedded value and the value of new business to changes in economic and non-economic assumptions are as follows:

Sensitivity of values to changes in assumptions

	Embedded value at 31 December 2016 £m	Value of new business for 12 months ended 31 December 2016 £m	Value of new business for 12 months ended 30 June 2015 £m
Central value	1,785.3	141.5	95.7
Impact of:			
• 1% reduction in yield curves	349.6	n/a	n/a
• 1% increase in yield curves	(285.5)	n/a	n/a
• 20% reduction in property values	(88.3)	(6.4)	(5.3)
• 125% of implied property volatilities	(162.3)	(15.3)	(10.5)
• 5% reduction in retirement income customer base mortality	(137.2)	(8.8)	(10.4)
• 10% increase in lifetime mortgage voluntary redemptions	(49.3)	(8.8)	n/a
• 10% increase in maintenance expenses	(28.7)	(1.3)	n/a
• 0.25% increase in mortality improvements for retirement income business	(74.6)	(9.2)	n/a

Notes to the sensitivities:

- Interest rate environment +/-100 bps: this sensitivity is modelled as a 100bp change to the yield on each asset. The sensitivity allows for the resulting change in asset value and the change in liability value that follows from the change in risk adjusted internal rate of return on the portfolio. In the -100bp sensitivity the reference rate has a floor of 0%.
- 20% fall in property values: this sensitivity allows for the change in lifetime mortgage and commercial mortgage asset value arising from an immediate fall of 20% in property prices. For lifetime mortgages, from 30 June 2017 onwards, the sensitivity assumes an additional 10% reduction in property prices over and above the 10% fall assumed in the base position. The sensitivity also allows for the corresponding change in liabilities as a result of the yield change.
- 25% increase in property volatility: this sensitivity allows for the change in lifetime mortgage asset values as a result of the change in the cost of the no negative equity guarantee, and for the change in commercial mortgage asset value. The sensitivity also allows for the corresponding change in liabilities as a result of the yield change.
- 5% decrease in base mortality: this sensitivity is modelled for the annuity business only. This is modelled as a change in the best estimate mortality level and the prudent margins remain unchanged.
- 10% proportionate change in lapses: this sensitivity is modelled as a change assumptions for both covered business lapse rates and lifetime mortgage voluntary repayment rates. The sensitivity is applied as a proportionate reduction in the rate of withdrawal (e.g. a withdrawal rate of 5.5% becomes 4.95% under the sensitivity). The IFRS reserves are also changed in this scenario as a result of changing yields on the lifetime mortgages.
- 10% increase in maintenance expenses: this sensitivity is modelled as a 10% change in the expense reserve. There is no change to expense inflation and no change to valuation interest rates.
- Mortality improvements +0.25%: this sensitivity is modelled as an additional 0.25% improvement in each future year within the best estimate basis for annuity business only. The IFRS reserving basis remains unchanged.

Interest rate sensitivities are not modelled for new business as the Group actively reviews its pricing, and in the event of a sudden movement in asset values the pricing of new business would be changed.

For the twelve months to 30 June 2015, sensitivities on new business for voluntary redemptions and maintenance expenses were calculated as reductions to the base assumption, and have not been restated as increases to the base assumption. The mortality improvement sensitivity was not performed on the new business in the twelve months to June 2015.

Pro forma statement of change in Group embedded value and analysis of movement in the value of covered business

For the year ended 31 December 2016

The following pro forma financial information is provided for illustrative purposes and is presented on the basis that the merger between Just Retirement and Partnership had taken place as at 1 January 2016. Pro forma information is unaudited and unreviewed.

	Year ended 31 December 2016		
	Covered business £m	Non-covered business £m	Total £m
Opening Group EEV (Pro forma)¹	1,432.5	340.1	1,772.6
Operating EEV earnings	184.9	(9.6)	175.3
Non-operating EEV earnings	157.9	(50.7)	107.2
Total EEV earnings	342.8	(60.3)	282.5
Other movements in IFRS net equity	–	12.4	12.4
Dividend and capital flows	10.0	(30.5)	(20.5)
Closing Group EEV	1,785.3	261.7	2,047.0

1. The opening Group EEV has been stated on harmonised assumptions, and after methodology changes made following the introduction of the Solvency II regulatory regime at 31 December 2015.

Other movements in IFRS net equity mainly consisted of the impact of share-based payments on the EEV. In the year, the Group paid dividends of £20.5m which reduced EEV and £10.0m of capital was injected into the covered business from the non-covered business.

The composition of the embedded value profit is shown separately between the movement in shareholders' net worth and the value of in-force business below, for covered business only:

	Year ended 31 December 2016		
	Net worth £m	VIF £m	EEV £m
Restated opening EEV (Pro forma)	983.1	449.4	1,432.5
New business value	99.3	42.4	141.7
Expected existing business contribution (reference rate and in excess of reference rate)	–	28.0	28.0
Transfers from VIF and required capital to free surplus	26.7	(26.7)	–
Experience variances	(18.2)	3.4	(14.8)
Assumption changes	21.9	7.0	28.9
Other operating variances	1.6	(0.5)	1.1
Operating EEV earnings	131.3	53.6	184.9
Economic variances	74.8	82.7	157.5
Other non-operating variances	(8.4)	8.8	0.4
Total EEV earnings	197.7	145.1	342.8
Dividend and capital flows	10.0	–	10.0
Closing EEV	1,190.8	594.5	1,785.3

Operating EEV earnings increased embedded value by £184.9m in the period, primarily from the value of new business written in the period of £141.7m. Operating EEV earnings also included £28.0m in respect of the expected contribution from existing business. The remaining £15.2m of operating EEV earnings arises from operating assumption changes which has partly been offset by experience variance, interest payable on the subordinated debt and expenses in the non-covered business.

Non-operating EEV earnings increased embedded value by £107.2m, primarily due to positive economic variances from the fall in risk free rates over 2016. Transaction and integration costs with regards to the merger of £48.6m (pre-tax) reduced the non-operating EEV earnings.

Information for shareholders

Financial calendar 2017

Annual General Meeting	18 May 2017
Record date for proposed final dividend	5 May 2017
Payment of final dividend, subject to shareholder approval	26 May 2017
Expected announcement of interim results for the six months ending 30 June 2017	13 September 2017

Investor relations enquiries

For all institutional investor relations enquiries about the Group, please contact our Investor Relations department at the Registered Office address shown on page 170. Individual shareholders with queries regarding their shareholding in JRP Group plc should contact our Registrar, Equiniti Limited.

Shareholders can keep up to date with all the latest JRP Group plc news and events by registering with our Alert Service <http://jrpgroup.com/investors/alert-service>. Just select the information of interest to you, such as Results, trading updates, AGM and other meetings, and you will then be notified by email when this information is available to view on our website.

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 page 170.

Shareholder profile as at 31 December 2016

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1-5,000	406	51.85%	353,489	0.04%
5,001-10,000	42	5.36%	319,796	0.03%
10,001-100,000	142	18.14%	5,382,599	0.58%
100,001-1,000,000	110	14.05%	42,323,282	4.54%
1,000,001-10,000,000	65	8.30%	210,123,974	22.52%
10,000,001-20,000,000	8	1.02%	113,958,555	12.22%
20,000,001 and over	10	1.28%	560,422,338	60.07%
Totals	783	100.0%	932,884,033	100.0%

JRP Group plc share price

JRP's ordinary shares have a premium listing on the London Stock Exchange's main market for listed securities and are listed under the symbol JRP. Current and historical share price information is available on our website <http://www.jrpgroup.com/investors/data-and-share-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. JRP 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 JRP Group plc's Company reference number 3947 to the address below or by calling 0371 384 2787 for callers from the UK. Lines are open 8.30am to 5.30pm Mondays to Fridays, excluding UK Bank Holidays) or +44 (0)121 415 0096 for callers from outside the UK. Shareholders can also view and manage their shareholdings online by registering at www.shareview.co.uk/myportfolio.

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

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 JRP 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

Executive Directors:

Rodney Cook, Group Chief Executive Officer

David Richardson, Group Deputy Chief Executive Officer and MD UK Corporate Business

Simon Thomas, Group Chief Financial Officer

Non-Executive Directors:

Chris Gibson-Smith, Chairman

Tom Cross Brown, Deputy Chairman

Keith Nicholson, Senior Independent Director

Paul Bishop

Peter Catterall

Ian Cormack

Michael Deakin

James Fraser

Steve Melcher

Clare Spottiswoode

Group Company Secretary

Simon O'Hara

JRP Group Registered office and Reigate office

Vale House

Roebuck Close, Bancroft Road

Reigate

Surrey RH2 7RU

Website: www.jrpgroup.com

Tel: +44 (0)1737 233296

Registered in England and Wales number 08568957

Corporate brokers

Barclays Bank PLC

5 The North Colonnade

Canary Wharf

London

E14 4BB

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The London Stock Exchange Building

10 Paternoster Square

London

EC4M 7LT

Auditor

KPMG LLP

15 Canada Square

London E14 5GL

Corporate lawyers

Freshfields Bruckhaus Deringer LLP

65 Fleet Street

London

EC4Y 1HS

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 JRP Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

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

Combined Group/JRP Group – following completion of the merger with Partnership Assurance Group plc, 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.

Drawdown – (in reference to JRP Group sales or products) collective term for Flexible Pension Plan and capped drawdown.

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

Guaranteed Guidance – see Pensions Wise (below).

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

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

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

Retirement Income sales (in reference to JRP Group sales or products) – collective term for GIFL, DB and Care Plan.

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

Notes

JUST.

JRP Group plc
Vale House
Roebuck Close
Bancroft Road
Reigate
Surrey RH2 7RU
jrpgroup.com