This document is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals in this document or the action you should take, you are recommended to seek your own advice from a stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Just Group plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was arranged for onward transmission to the purchaser or transferee.

JUST GROUP PLC

NOTICE OF ANNUAL GENERAL MEETING
13 JUNE 2019

JUST.

RETHINK RETIREMENT

GROWING SMARTER

BEING JUST.

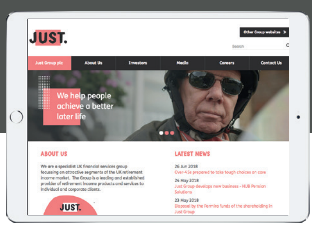
JUST GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2018

WE HELP PEOPLE ACHIEVE A BETTER LATER LIFE

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS



All Just Group plc regulatory announcements, shareholder information and news releases can be found on our Group website, **www.justgroupplc.co.uk**

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.

2018 financial and operational highlights

KEY PERFORMANCE INDICATORS

NEW BUSINESS OPERATING PROFIT[1,2]

£243.7M

2017: £169.8m, up 44%

IN-FORCE OPERATING PROFIT[1]

£71.7M

2017: £71.3m, up 1%

ADJUSTED OPERATING PROFIT BEFORE TAX[1]

£210.3M

2017: £220.6m, down 5%

NEW BUSINESS SALES[1]

£2,827.4M

2017: £2,457.1m, up 15%

IFRS LOSS BEFORE TAX

£(85.5)M

2017: £181.3m profit, down 147%

IFRS NET ASSETS

£1,663.8M

2017: £1,740.5m, down 4%

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)[3]

136%

139% at 31 December 2017

ECONOMIC CAPITAL COVERAGE RATIO[1]

256%

238% at 31 December 2017

FINANCIAL STRENGTH AND OTHER INDICATORS

FITCH INSURER FINANCIAL STRENGTH RATING

A+

for Just Retirement Limited (2017: A+)

FITCH ISSUER DEFAULT RATING

A

for Just Group plc (2017: A)

KEY SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

16 MAY

2019

AWARDED FURTHER RECOGNITION FOR OUTSTANDING SERVICE

FINANCIAL ADVISER: 5 STAR SERVICE AWARD, LIFE & PENSIONS

PENSIONS AGE: RISK MANAGEMENT PROVIDER OF THE YEAR

INSTITUTE OF CUSTOMER SERVICE: WINNER IN THE "CUSTOMER FOCUS FOR A LARGE ENTERPRISE"

1 Alternative performance measure (see glossary on page 153 for definition).
New business operating profit, in-force operating profit and adjusted operating profit before tax are reconciled to IFRS profit before tax on pages 25 and 29.
New business sales are reconciled to gross premiums written in note 6 to the consolidated financial statements on page 114.
2 Based on opening 2018 IFRS actuarial assumptions, refer to page 15.
3 This figure allows for a notional recalculation of TMTP as at 31 December 2018.

At a glance

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

WE ARE A SPECIALIST IN OUR CHOSEN MARKETS SERVING FOUR DISTINCT GROUPS...

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

INDIVIDUALS: PROVIDING RETIREMENT INCOME

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

MARKET VALUE OF DEFINED CONTRIBUTION 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 55+

£3.0 TRILLION

CORPORATE CLIENTS: SOLVING PROBLEMS FOR COMPANIES

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

...WITH PRODUCTS AND SERVICES

Competitive position:
L A leader ↗ Developing

MARKETED PRODUCTS[1]

SERVICES	BENEFIT AND COMPETITIVE POSITION	
DEFINED BENEFIT DE-RISKING SOLUTIONS ("DB") Solutions for pension scheme trustees to reduce the financial risks of operating pension schemes and increase certainty that members' pensions will be paid in the future.	Just's innovative approach using individual medical underwriting in this segment delivers better prices for trustees.	L
GUARANTEED INCOME FOR LIFE ("GIfL") A solution for individuals/couples 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 double-digit percentage increases in income compared to standard products.	L
FLEXIBLE PENSION PLAN ("FPP") A solution for a customer wanting to retain greater flexibility for 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.	L
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 to meet a variety of needs in later life.	L

1 Reported in our Insurance segment.

PROFESSIONAL SERVICES[2]

SERVICES	BENEFIT AND COMPETITIVE POSITION	
HUB GROUP Our professional services and distribution business delivering technology, broking and advice solutions for corporate clients and pension schemes. We also provide regulated financial advice on how people should use pension savings, or release some of the value from their home.	HUB offers an innovative approach that provides affordable regulated advice to people with modest pension savings. HUB also delivers face-to-face nationwide advice at a time and place to suit the client, and enables pension schemes to deliver efficient and robust scheme-led defined benefit transfer programmes.	L
+ 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.	

2 Reported in our Other segment.

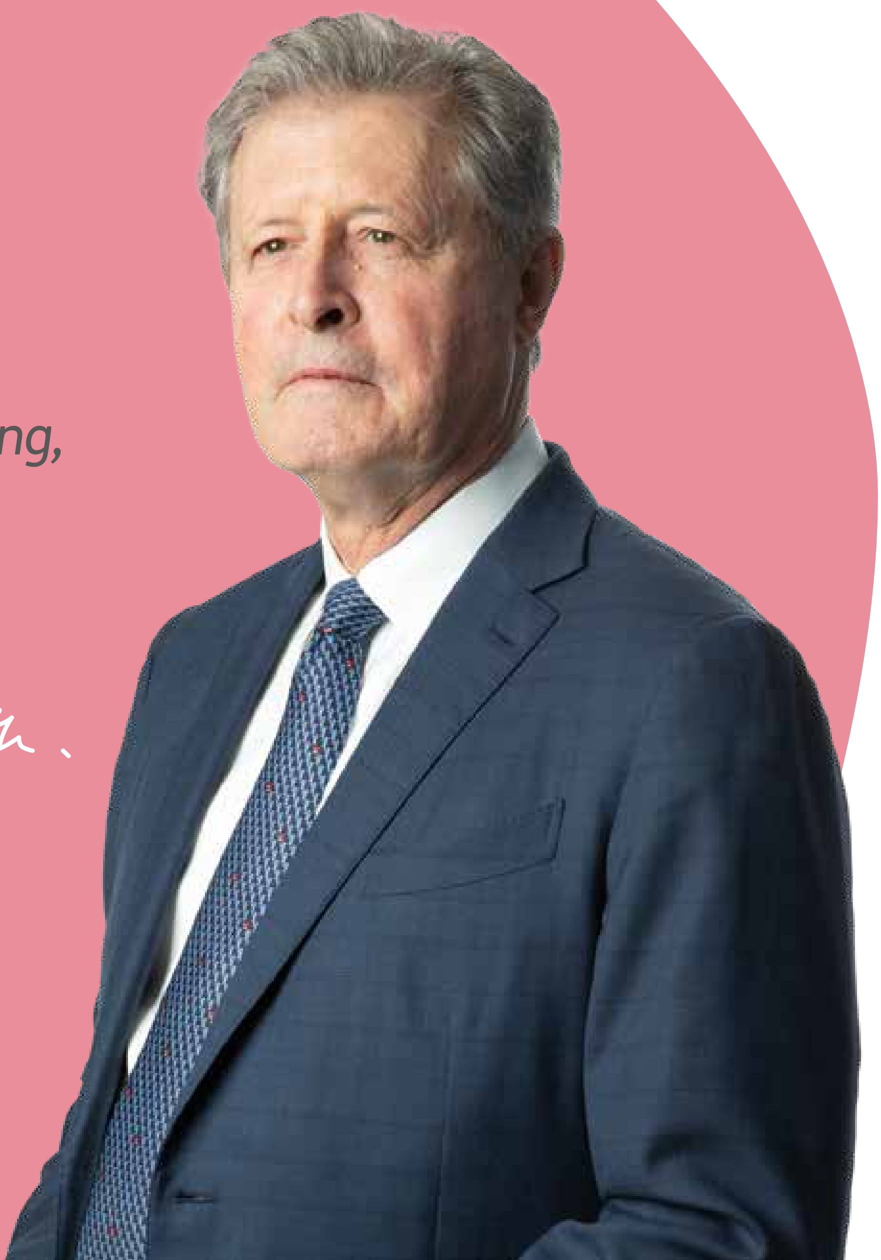
Chairman's Statement

GROWING SMART

Smarter growth and being Just

> *We have built a smart, strong, Just company that can be confident about the future*

CHRIS GIBSON-SMITH
Chairman



I am pleased to introduce Just Group plc's 2018 Annual Report. The Company has delivered a strong new business performance during a period of heightened uncertainty for our sector.

In some ways 2018 has been a year of contradiction; the first half of 2018 was excellent for Just, as our experienced team achieved exceptional sales and smart growth to deliver increased underlying profit. While strong sales continued throughout the year, the consultation on the treatment of equity release mortgages announced by the Prudential Regulation Authority ("PRA") in July created significant uncertainty across the sector for the remainder of the year, and this uncertainty resulted in a significant downward movement in the Company's share price. It is a testament to the quality of our colleagues and our compelling market offering that the Group has delivered a consistent performance in the midst of such uncertainty.

The Board has worked closely with the PRA over the year to develop solutions that meet the regulator's expectations in respect of firms investing in equity release mortgage portfolios. The Board judges the PRA's effective value test as prudent, as for Just Retirement Limited this would be equivalent to holding capital and technical provisions sufficient for the price of every house in the portfolio to fall immediately by over 28% and then remain there indefinitely. This is equivalent to a 1.7% fall in house prices every year for the remainder of the life of our mortgage book. The changes prescribed by the PRA Policy Statement do not take effect until 31 December 2019.

OUR PURPOSE

Just has a strong social purpose; we help people achieve a better later life by providing financial advice, guidance, competitive products and services. We help our customers achieve security, certainty and the peace of mind they want in retirement.

Our commitment to smarter growth and being Just is made possible by our leadership team's focus on building a sustainable business that deploys capital wisely. We always have and always will keep the promises we make to customers.

SMARTER GROWTH

The Group's strategy is to deliver strong margins by making smart risk selections and broadening our access to markets. We have chosen to compete in attractive growing markets and by sustaining our competitive advantages we have continued to write business at strong margins.

Given the macro-economic outlook, the Company took the opportunity at year end to strengthen its assumptions related to its Lifetime Mortgage portfolio which has contributed to the reported IFRS loss for the year.

The Group's financial strength and performance is explained in more detail in the Financial Review.

DIVIDEND

Given the uncertainty surrounding the potential outcomes from the PRA consultation into equity release mortgages, CP13/18, the Board judged it appropriate to defer the dividend declaration until the outcomes of the consultation were published and the Group understood the implications for the Company.

Following the release of the Policy Statement the Board has announced plans to strengthen the Group's capital base and under these circumstances and having considered the views of the largest shareholders, considers it prudent not to pay a final year dividend for 2018.

The Board's current expectation is to recommence dividend payments during the 2019 financial year at a rebased level. The rebased level for the 2019 full year dividend is expected to be approximately one third of the 3.72 pence total dividend paid during the 2017 financial year, subject to the Group's earnings, cash flow and capital position. Dividend payments are expected to commence following the release of the Group's 2019 interim results, with an interim dividend of approximately one third of the full year payment.

BOARD COMPOSITION AND GOVERNANCE

In October we announced that Simon Thomas would be stepping down as Chief Financial Officer. I would like to take this opportunity to thank him again for his service over the past 12 years and the significant contribution he has made to the Group. We will be announcing Simon's successor in due course.

I take great pride in leading the Board and the Group's governance function, and my introduction to the Corporate Governance Report provides further information on our robust governance and decision making processes. I would like to thank the entire Board for their significant contribution, commitment and service, and look forward to working with them in 2019.

SHAREHOLDERS AND OTHER STAKEHOLDERS

Being Just is important to us and pervades everything we do. Our brand has become recognised over the years for providing outstanding service and for being honest, moral and upright – in a word, Just. We work hard to ensure our customers benefit from our services and our shareholders receive the benefit of long-term value creation. The publication of the PRA's Policy Statement on equity release mortgages in December 2018 has removed the majority of the uncertainty created during the consultation period, and our share price has reacted positively to the improved clarity over the treatment of these assets. Our colleagues take great pride in our purpose and work to support our local communities. The Board engages with our regulators, legislators, professional bodies and wider society to promote the interests of our customers more broadly and we place great importance on working effectively with these groups.

A CONFIDENT FUTURE

The fundamental drivers for growth in our core markets continue to be strong and the outlook remains favourable for our Group. I am excited about the prospects for smart and disciplined participation in these markets to deliver excellent outcomes for our customers and generate value for our shareholders.

Our results in the year demonstrate our proven expertise in our chosen markets and during 2019 we are strengthening our capital base in order to support our new business franchise.

On behalf of the Board I would like to close by thanking all of our colleagues across the Group for their hard work, creativity and dedication to our purpose. With their positive energy and commitment to providing the best service possible to our customers and business partners we have built a smart, strong, Just company that can be confident about the future.

Chris Gibson-Smith
Chairman

ANNUAL GENERAL MEETING 2019

10.00am,
16 May 2019
at etc. venues
8 Eastcheap (Monument)
London
EC3M 1AE

Market context

BEING JUST

Structural drivers in our markets mean we can grow profits while delivering better outcomes for customers

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. 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.

Taking the risk out of paying company pensions

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, where 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.

Current market and outlook

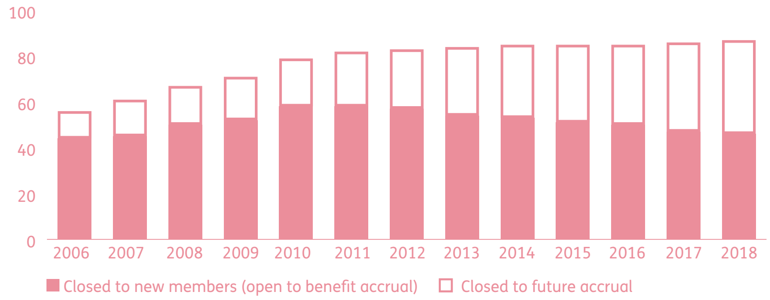
There are approximately £1.6tn in UK defined benefit pension scheme obligations (source: PPF), which is driving high demand for de-risking solutions, with transactions forecast to reach approximately £700bn by 2031 (source: Hymans Robertson). While insurer capacity will increase in the long term, over 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 be over £30bn per year. This level of activity would result in only 2% of total defined benefit pension assets each year being de-risked, providing significant potential upside.

2018 has been a record year for the defined benefit de-risking market, where transactions are expected to reach £23bn (source: LCP), ahead of the previous record in 2014 of £13.2bn. There were four transactions written over £1bn and the largest transaction to date has been £4.4bn. Four providers, including Just, wrote their largest ever deal and a new entrant completed transactions in the external market.

The defined benefit de-risking market is usually characterised as starting slow in the early part of the year and building pace, with a peak of activity often seen in the final quarter. For a market with traditional peaks and troughs 2018 was different, with high levels of activity and demand throughout the year.

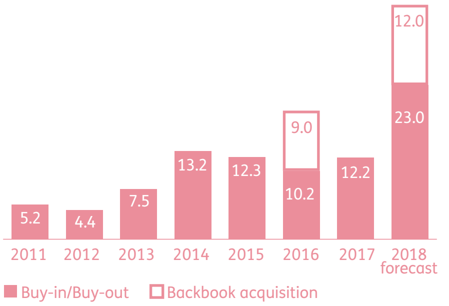
Employee benefits consultants are predicting another busy year in 2019 and are reporting pipelines of new business expected from their clients of £30-£40bn, which is larger than any prior year. The outcome for the year is more difficult to predict given insurers, scheme sponsors and consultants will be required to resolve other potential competing priorities such as Brexit and the recent High Court ruling that Lloyds Banking Group must equalise guaranteed minimum pensions for men and women.

88% of defined benefit pension schemes are closed to new members and increasingly to future accrual (%)



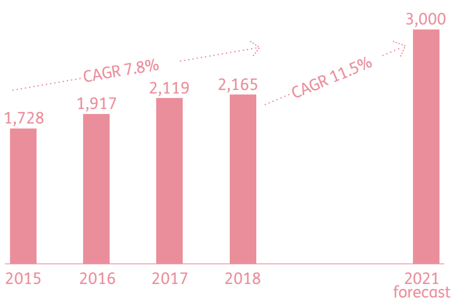
Source: The Purple Book 2018, PPF

Expected growth in DB de-risking transactions (£bn)



Source: Just Group analysis, Hymans Robertson, LCP

External GIfL market (£m)



Source: Just Group analysis, ABI

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 and in 2018 this exceeded £12bn.

The Department for Work and Pensions is seeking views on a new legislative framework for authorising and regulating defined benefit superfund consolidation vehicles of the type envisaged by the White Paper – Protecting defined benefit pension schemes – published in March 2018. This new profit making arrangement, which is subject to consultation, if introduced, would provide a new de-risking solution for schemes and sponsors that cannot achieve a Buy-out from an insurance company. These so-called superfunds are proposed to be regulated outside of the insurance regime and so are not subject to the more robust capital requirements of the Solvency II Directive. If these new arrangements are regulated as proposed there is a risk they could become a cheaper, substitute solution to a buyout of liabilities for some pension schemes, although they may provide less protection for members compared to an insurance solution. Just Group and our peers in the industry are actively engaging with government to ensure any new arrangements are created in a regulated environment that does not allow members of defined benefit pension schemes to receive a poor deal and that regulatory arbitrage is eliminated.

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. The solution provides people with peace of mind from the security of knowing the income will continue to be paid for as long as the customer and, where relevant, for as long as they or, typically, their spouse lives. In the UK, GIfLs 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 their life expectancy. People who are eligible and purchase an individually underwritten GIfL typically achieve double-digit percentage increases in income compared to purchasing a GIfL which is not individually underwritten.

Providing security and peace of mind

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

Pension customers are encouraged to compare the GIfL offer provided by their existing pension company to those offered on what is the open or external market. In March 2018 the FCA introduced rules requiring pension companies to provide customers with an external GIfL quotation showing the best quote available from the external market alongside the quotation from the incumbent firm. They have subsequently announced rules to strengthen this requirement and, where the customer is eligible, require firms to provide a medically underwritten comparison. This should provide new opportunities for Just Group as 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 from 48% of the total GIfL market in 2017 to 50% in 2018 (source: ABI).

Market context continued

The LTM market will grow to around £6bn per annum by the end of 2021, which is a compound annual growth rate of 15% from 2018

Continuing developments are driving growth in our addressable market:
- the structural drivers of growth in the retirement income market are strong and assets accumulating in defined contribution ("DC") pension schemes are projected to increase consistently over the next decade. This growth arises from an increase in the number of people joining workplace pension schemes as a result of the successful state auto-enrolment policy and the increase in contribution rates implemented in 2018;
- growth in DC pension assets also arises as companies close down final salary or defined benefit ("DB") pension schemes and offer their employees DC pensions instead;
- thousands of people are transferring out of DB pension schemes into DC pension schemes to take advantage of Pension Freedoms. When transferring, many people are choosing to secure a guaranteed income for life, by using some of the transfer value to purchase an individually underwritten GIfL; and
- many life and pension companies are choosing to put in place broking solutions to offer their pension savings customers access to the best individually underwritten GIfL deals in the market. Some are choosing to transfer their obligations to provide a guaranteed GIfL rate to their customers to an alternative product provider or broking solution. This grows our addressable market and provides customers with better outcomes. Our HUB group of companies is providing many of these corporate services.

LIFETIME MORTGAGES

Introduction

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

The typical lifetime mortgage customer is around 70 years old, has a house valued at around £200,000 and agrees a facility to borrow up to 30% of the house value.

Enabling people to improve their later-life living standards

People are becoming increasingly positively disposed to accessing some of the equity in their homes to improve the quality of their later lives or to help their family. The compound annual growth rate of the lifetime mortgage market between 2001 and 2018 was 13.7% and this has attracted new providers to enter the market in the last few years.

Just Group is a leading product provider of lifetime mortgages. Our HUB Financial Solutions business is a leading distribution business providing consumers with regulated advice on equity release solutions from across the market.

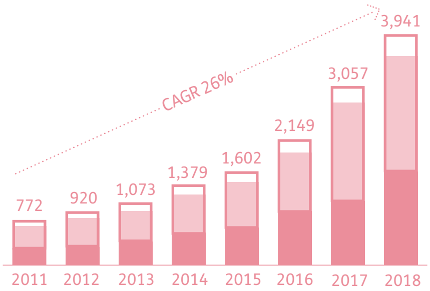
Current market and outlook

Homeowners aged over 55 are estimated to own property wealth of over £3.0 trillion (source: ONS). We estimate that the existing industry loan book including interest is just £26bn. The market remains under-penetrated and there is significant headroom for growth.

We do not expect the changes prescribed by the PRA Policy Statement 31/18 to have a material impact on the overall growth in the market. Some customers may not be able to access their housing wealth at earlier ages and some may not be able to access as much equity as they have been able to in the past.

Just is forecasting that the LTM market will grow to around £6bn per annum by the end of 2021, which is a compound annual growth rate of 15% from 2018. The primary drivers of growth are:
- households wanting to top up their retirement income to improve their standard of living in later life;
- an increase in the number of people with outstanding interest-only mortgages who are entering retirement and require a solution to settle the debt with the existing mortgage company;
- strong demographic growth. The number of people aged 65 and over is forecast to increase from around 12 million today to over 18 million by 2040; and
- an increase in new entrants who spend money on advertising which results in people becoming aware of LTMs combined with people becoming more disposed to using some of their housing equity.

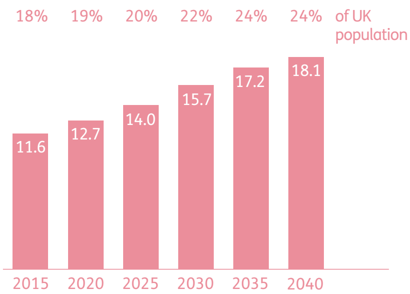
Seven years of consecutive growth of lifetime mortgage sales in the UK (£m)



Lump sum mortgage sales
New drawdown mortgages – initial advance
Existing drawdown mortgages – further advances

Source: Equity Release Council

Number of people (millions) aged 65+



Source: ONS

JUST HAVE BEEN LEADERS FOR

17 YEARS

in UK long-term care

LONG-TERM CARE SOLUTIONS

Introduction

Care Plans, or immediate needs annuities, are a segment of purchased life annuities. A Care Plan offers a guaranteed 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 when 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.

Just has a strong pedigree in the market, having been one of the market leaders for 17 years.

Current market and outlook

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

- there are currently around 1.6 million 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, suggesting a growth rate in excess of 3%;
- 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; and
- there is uncertainty over government policy for long-term social care. The government has withdrawn the cap on care fees that was due to become effective in 2020 and planned to publish a Green Paper on care and support for older people by summer 2018, which was delayed at the time of writing this report. This will set out how the government proposes to improve care and support for older people and tackle the challenge of an ageing population.

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 framework, products and distribution. Limited state social security, tax incentives for private retirement provision and increased compulsion to purchase a guaranteed income for life or drawdown solution mean the retirement market is expected to grow significantly over the coming years.

The market is dominated by defined contribution arrangements. The market that could annuitise includes approximately £3.5bn at-retirement and £23bn in-retirement savings, however currently the great majority of consumers use drawdown plans.

Just has introduced an innovative new product to the South African market which provides the customer with the benefit of a guaranteed income for life solution within a drawdown product.

Prudential regulation has moved to the new Solvency Assessment and Management (“SAM”) regime which became effective on 1 July 2018; SAM is recognised as equivalent to the Solvency II regime.

Additionally, the government-led reform to retirement legislation became effective from 1 March 2019. This makes trustees of 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.

Business model

We operate a business model with mutually reinforcing strengths which delivers superior outcomes

KEY STRENGTHS

OUR PEOPLE
We regularly recognise the success of our people and the great service we deliver to our customers, backed by a renewal of our culture to preserve the best of our heritage. Our ways of working are encapsulated by our brand values.

SERVICE
We have a proud and consistent record of Financial Adviser 5 Star service awards. Customer service and superior outcomes are central to our philosophy. We are rewarded for this with high levels of repeat business from our distribution channels.

DIGITAL CAPABILITIES
We stay abreast of developing business models, digital capabilities, and ways of working. Project delivery focuses on lean approaches. We have digital innovation teams whose objective is to apply leading-edge technology.

DISTRIBUTION
Our multi-channel distribution model maximises our reach into the market and creates an in-built resilience if the fortunes of one channel shift. We seek to adapt to a changing distribution landscape, with innovative solutions.

MARKET POSITION
We have strong positions in the majority of our markets, with attractive market shares underpinned by compelling products and the power of our operating model. Our relationships and unique insights give us the capability to lead and influence market developments and innovations.

INTELLECTUAL PROPERTY (“IP”)
We continuously invest in our proprietary IP to increase profitability through superior risk selection, GIfL and lifetime mortgage origination, and multi-channel distribution to identify and secure high-value opportunities.

OPERATING MODEL

SCALABLE OPERATING MODEL

Our scalable operating model is focused on growing our addressable market by increasing our access to customers and then selecting the most appropriate risks available.

MULTI-CHANNEL DISTRIBUTION
- We maintain a multi-channel approach, giving us market access through intermediaries and partner businesses to distribute our individual and corporate solutions.
- Our focus is on strong long-term and mutually beneficial relationships with financial intermediaries, corporate partners and employee benefits consultants (“EBCs”).
- Our in-house corporate solutions, advice and distribution business HUB Financial Solutions provides a range of services to our partners and their customers and employees.
- Our market leadership in retirement income positions HUB Financial Solutions to win mandates to provide other insurance companies with a range of insourced and outsourced services for their customers.

AUTOMATED UNDERWRITING
- Our fully automated underwriting systems offer efficient data capture, fast turnaround times and scalability.
- This differentiates our service delivery, and delivers benefits to financial intermediaries, corporate partners and customers.

LEADING SERVICE, REPUTATION AND BRAND
- The foundations of our service culture and record are our systems, our fair approach, and a culture of ensuring issue resolution rather than speedy closure.
- Our brand, Just, was launched in January 2017 and continues to gain increasing recognition in corporate, intermediary and retail markets.
- The brand continues to build on our purpose to help people achieve a better later life.

SUPERIOR RISK SELECTION

We have world-class capabilities in selecting risks that help us focus on creating value for shareholders, while also delivering better outcomes for customers.

NEXT GENERATION UNDERWRITING SYSTEM: PROGNOSYS™

- PrognoSys™ is a powerful proprietary tool for pricing and reserving that allows the Group to identify and price for the risks we want and provide improved outcomes for customers.
- Whilst it is already market-leading, we continue to invest in PrognoSys™ to ensure continued leadership.
- An updated version of PrognoSys™ following the integration of our two medical datasets, further improves our medical underwriting expertise and competitive advantage. Recent enhancements are allowing us to fine-tune our offers to healthier customers.

EXPERIENCED MEDICAL TEAM AND UNDERWRITERS

- Our in-house medical team is made up of epidemiologists, doctors and bio-statistical modellers. This team enables us to develop superior pricing and reserving processes and stay as up to date as possible with latest medical and longevity developments.
- 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.
- We hold over 3.0 million person-years of medical and mortality data, an unrivalled breadth and depth of data for analysis.
- The insight this gives us into customer lifestyle and medical outcomes is 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

- Synergies across our suite of products result in an efficient and balanced use of capital. We can tactically shift capital between our product markets by adjusting our risk selection appetite. Risk selection identifies those risks for which we are most rewarded on a relative profit basis.
- Just Retirement Limited, our principal life assurance company, uses an internal model to calculate our capital requirements more appropriately than a standard formula and approval is only granted to companies who have met the Prudential Regulation Authority's ("PRA") requirements.
- Partnership Life Assurance Company Limited currently uses the Solvency II standard formula to calculate its capital requirements, and intends to progress an internal model major change application to use the Group internal model.

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

- Our investment policy enables us to provide attractive income levels to customers and to optimise risk-adjusted returns for shareholders, while ensuring that cash flows from assets under management are more than sufficient to meet payment obligations to our DB and GIfL portfolios as they fall due.
- We follow an enhanced buy-and-maintain 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 trade and replace 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.

GENERATING VALUE

INVESTORS
By managing our resources effectively and creatively we generate profits, which benefit shareholders through dividend payments and shareholder value.

DIVIDENDS PAID IN 2018

£24M

RETAIL CUSTOMERS
We improve our customers' later lives by providing straightforward, good value products, and excellent service.

NUMBER OF CUSTOMERS (DEC 2018)

0.6M

BUSINESS CUSTOMERS
We deliver solutions to solve the challenges and needs of our corporate customers and partners.

OUR PEOPLE
Developing, recognising and rewarding our colleagues secures a skilled and motivated team.

COLLEAGUE NUMBERS (DEC 2018)

1,103

COMMUNITIES
We are a significant local employer in our home community of Reigate. Our communities benefit from job creation, our tax payments, and our community outreach activities.

CORPORATION TAX AND EMPLOYER'S NATIONAL INSURANCE PAID IN 2018

£46M

SUPPLIERS
We maintain a significant supply chain, working with businesses of all sizes. As we create value, we help them to create further value and impact.

PAYMENTS MADE TO SUPPLIERS IN 2018

£76M

Key resources and relationships

OUR DRIVE TO BE JUST

Our customers are the focus of everything that we do. By investing in resources we are able to provide products and services that help people achieve a better later life

OUR CUSTOMERS

At Just, all our activities start by understanding how we can best meet the needs of our target customers. Whether we are designing new services or new products, our customers are the focus of everything that we do. We invest our resources so we can help people achieve a better later life.

DISTRIBUTION PARTNERS

Distribution plays a key role in our ability to reach, attract and retain customers. Building out and diversifying our distribution network helps ensure that we fully capitalise on the opportunities available to us in each of our markets. Just has a highly effective multi-channel distribution strategy which is one of our key strengths.

Our DB sales are made via employee benefits consultants ("EBCs") who advise pension schemes' trustees and we have developed strong relationships in this area. We distribute our individual retail products through a number of channels, including generalist and specialist financial intermediaries and emerging channels accessed via our HUB group of companies, 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 2018 we have continued to develop new corporate partnerships and extend our services to current business customers to broaden our distribution reach. This has helped our corporate partners to develop improved outcomes for their at- and in-retirement customers. We continue to invest in our HUB group of businesses and we have achieved success, winning many new mandates to deliver services to pension scheme trustees, pension liability managers and other life insurance companies to provide technology solutions, regulated advice and guidance services, together with access to Just's products and those sourced from the external market.

Our colleagues ensure we continue to respond effectively to the changing external environment. Their resilience and enthusiasm were critical to the Group achieving the excellent new business results we have reported

REINSURERS

These include the Group's key relationships with General Reinsurance AG (London branch), RGA Global Reinsurance Company Ltd, RGA International Reinsurance Company DAC and SCOR Life Global Life (UK branch), as well as strong working relationships with Hannover Rück SE, Achmea Reinsurance Company N.V., Pacific Life Re Ltd, Hannover Life Reassurance Bermuda Ltd, Nomura Reinsurance 5IC Ltd and Partner Reinsurance Company Ltd.

This diverse group of counterparties helps to ensure strong risk mitigation and competitive terms.

GOVERNMENT AND REGULATORS

Regulators and policymakers are important stakeholders for Just. 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 regularly with ministers, government officials, regulators and other policymakers directly and through trade bodies. As a leader in the markets we serve, we are well placed to share our customer and market insights to contribute to progressive policy development.

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.

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

OUR COLLEAGUES

We want Just to be a great place to work and engaged colleagues are crucial to our success. Our people strategy is currently focused around three key priorities – developing the right organisational culture, capabilities and employee experience.

Just is a company with strong values and we place high expectations on our colleagues to do business the right way and consistently deliver our purpose of helping people achieve a better later life.

OUR PEOPLE, VALUES & CULTURE PAGE 38

Chief Executive Officer's Statement

SMART ABOUT GROWTH

We remain focused on growing profits and margins, and in delivering a Just experience for our customer

We are pleased with our results for the year and have continued to achieve strong growth in sales and new business profit. We remain focused on attractive growth markets and making smart choices to grow profits and margins.

RODNEY COOK
Group Chief Executive Officer

PERFORMANCE REVIEW

The parts of the retirement market that we operate in remain buoyant and have good long-term prospects. The defined benefit de-risking market continues to grow and has now became mainstream. GIfL continues to be a key retirement income solution and growth of the open market has been stimulated by FCA initiatives to encourage shopping around. Lifetime mortgages remain a very important tool to address the needs of those people at- or in-retirement where they have housing wealth, but insufficient pension income.

We focus on these attractive markets and are disciplined in the business we choose to accept. This approach has delivered significant growth in both sales and margins. We think that's smart growth.

Our corporate solutions businesses which operate under our HUB brand continue to grow and have further strengthened in 2018 through our strategic partnership to provide M&G Prudential's customers with a retirement income service, the launch of HUB Pension Solutions (see page 18) and through our acquisition of Corinthian Pension Consulting.

New business operating profit was £243.7m for 2018, an increase of 44% compared to the prior year. Adjusted operating profit before tax fell slightly by 5% compared to the prior year and was £210.3m, and overall the Group reported an IFRS loss before tax for 2018 of £85.5m, compared to a profit before tax of £181.3m for 2017. The IFRS loss before tax was primarily due to the review of the Group's assumptions in relation to property growth and volatility, further details of which are included in the Financial Review.

Retirement Income sales increased by 15% to £2,173.5m, and LTM sales increased by 18% to £602.1m.

Once again we are proud to have received the highest recognition from the financial advisers who use our services, by being awarded a Financial Adviser 5 Star Service Award in the Life & Pensions category, for the 14th consecutive year. In addition, the Institute of Customer Service crowned Just the winner in the "Customer focus for a large Enterprise" category and Pensions Age awarded Just "Risk Management Provider of the Year". This recognises the "Just" experience which we strive to give our customers.

CAPITAL

In our interim results in September I explained that the Prudential Regulation Authority ("PRA") had issued CP13/18 in relation to lifetime mortgages being held to back annuity liabilities, which could have resulted in a material reduction in our capital position. In December the PRA published a Policy Statement and updated Supervisory Statement in response to CP13/18 which set out the PRA's final policy and expectations. In summary, I'm pleased to say the PRA has listened to the concerns that we (and others) raised, and has made adjustments to their original proposals. All firms in the industry will have to make changes to their businesses to meet the new requirements set out by the PRA. For us here at Just, the outcome is well within the range of what we have been planning for and the impact on the Group is manageable over time.

The PRA has allowed firms until 31 December 2019 to implement their changes. We and others within the industry put proposals to the PRA that the lifetime mortgage business we had developed before the introduction of Solvency II in 2016, should continue to benefit from the rules that were in place at that time. We are pleased the PRA has agreed to this.

The outcome is significantly less onerous than CP13/18 suggested and we have already taken action to ensure we operate within the new boundaries set out by the PRA. We have announced an underwritten Restricted Tier 1 debt offering of at least £300m and an underwritten non pre-emptive equity placing of 9.99% of existing share capital to strengthen the Group's capital base to support our new business franchise.

The Group's Solvency Capital Requirement coverage ratio was estimated to be 136% after notional recalculation of the transitional measure on technical provisions ("TMTP") as at 31 December 2018 (31 December 2017: 139%). This reflects the benefit of the £230m Tier 3 capital issued in February 2018, offset by the capital strain from the strong new business volumes written during the year. The majority of our own funds remain comprised of Tier 1 capital. Our economic capital ratio at 31 December 2018 was 256% (31 December 2017: 238%). We plan to achieve capital self-sufficiency and the Board now expects own funds to increase organically from 2022, following implementation of a number of management actions to improve new business capital efficiency, reduce expenses, enhance management of the no-negative equity guarantee ("NNEG") and optimise our investment approach.

COLLEAGUES

Being Just is at the heart of what we do and is the core of what we strive to deliver to our customers day in, day out. Our colleagues work hard to deliver a Just experience and achievements such as the service awards we have received are testament to their hard work and determination. Once again I would like to extend my thanks and gratitude to our colleagues across the Group for their continued efforts, enthusiasm and dedication.

AND FINALLY...

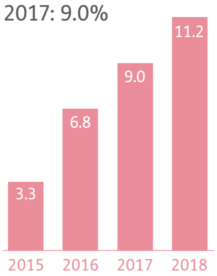
We have achieved another set of excellent new business results and, with the plan to strengthen our capital base, remain confident of the outlook for our Group. Because we operate in growing markets we can make smart choices in the risks we accept in order to deliver attractive returns on capital from new business. We are proud of being "Just" and delivering products and services to help our customers achieve a better later life.

Rodney Cook
Group Chief Executive Officer

IFRS NEW BUSINESS MARGIN (%)[1]

11.2%

2017: 9.0%



IFRS LOSS BEFORE TAX

£(85.5)m

2017: £181.3m profit

NEW BUSINESS OPERATING PROFIT[1]

£243.7m

2017: £169.8m

ADJUSTED OPERATING PROFIT BEFORE TAX

£210.3m

2017: £220.6m

RETIREMENT INCOME SALES

£2,173.5m

2017: £1,889.9m

LIFETIME MORTGAGE ADVANCES

£602.1m

2017: £510.0m

1 The margins reported for the year are based on the opening 2018 IFRS actuarial assumptions. If the changes to the IFRS property assumptions at 31 December 2018 had taken place at the beginning of 2018, new business margins in 2018 would have been lower by approximately 1%.

Strategic objectives

We aim to deliver consistent growth in profits through risk and margin selection combined with strong cost and capital discipline.

When we succeed in addressing all of our strategic objectives we will be achieving consistent growth in shareholder value and be addressing an ever greater number of later life needs. We will also be laying progressively stronger foundations to pursue our fifth objective to diversify and build businesses outside of our current core, meeting more needs and generating more valuable growth.

Our strategic choices are also made with a view to reducing the principal risks our business faces and making our business more resilient.

KEY: PRINCIPAL RISKS AND UNCERTAINTIES **(SEE PAGE 34)**

- A Market environment
- B Pricing assumptions
- C Regulatory changes
- D Economic environment
- E Operational processes and systems
- F Brands and reputation

1.

GROW OUR MARKETS AND BROADEN OUR DISTRIBUTION REACH

We increase sales in our markets by working to grow market demand; we capture our share of these growing markets by ensuring growth in distribution reach and customer access.

WHY THIS IS IMPORTANT

We have a fundamental belief that our products meet needs that, if unaddressed, create risks to the quality of later life that our customers may experience. So it's important to grow markets and reduce the experience of those risks. Larger markets create more sales opportunities for us and more value for shareholders. And a combination of distribution reach and larger markets means greater opportunity for us to select the risks we want to accept.

HOW WE ACHIEVE THIS

In our UK DB de-risking business we continue to drive growth in the small and medium segment of the DB de-risking market, typically with a transaction size of less than £250m. Our innovative medical underwriting solutions are particularly applicable for smaller schemes or those from particular industries, and enable us to provide more options for pension scheme trustees.

We support growth in the UK GIfL, LTM and care markets through market and distributor education and regulatory engagement. We expand our distribution reach through the active pursuit of new partner business relationships.

A B C D E F

2.

GIVE CUSTOMERS A DISTINCTLY "JUST" EXPERIENCE EVERY TIME

We align our customer experience with our brand promise across all channels and businesses.

WHY THIS IS IMPORTANT

Our brand embodies fairness, a strong social purpose and our desire to improve retirement for customers by providing them with simple-to-understand products and services.

It expresses our ambition to present ourselves differently, provide outstanding service to our customers and support people with the broader challenges of later life.

HOW WE ACHIEVE THIS

We have defined our customer experience principles and framework to ensure that our products and services live up to our brand promise.

We are working hard to ensure that our culture embraces the brand promise and customer perspective. For instance, in our call centres, no one is measured against call-handling time. Such measures undermine willingness to spend time on the phone to fully address customer needs.

We measure, share and celebrate great customer feedback across the Company.

A B C D E F

3.

MAKE SMART RISK CHOICES

We identify and price for the business we want. We ensure new business complements our balance sheet and provides the best balance of risk, reward and capital usage.

WHY THIS IS IMPORTANT

Efficient deployment of our capital is key to optimising the volume of business that we write, at what margin, and its capital consumption. In addition, we seek to ensure that the synergies between our businesses are maximised through careful cash flow matching of, amongst other factors, the likely duration of LTM, DB and GIfL solutions.

HOW WE ACHIEVE THIS

We combine customer insight, market knowledge and unrivalled medical IP to target the business and customer segments that are most attractive on a risk/reward basis. Our distribution reach gives us access into our target segments and significant business flows from which to pick our preferred risks.

Strong relationships with high-quality reinsurers allow us to reduce the associated longevity risk on the insurance reserves cost-effectively.

A B C D E F

4.

FOCUS ON STRONG FINANCIAL MANAGEMENT

We ensure that we spend money wisely, avoid waste and deliver value for the business. We consider the capital impact and return of all our decisions.

WHY THIS IS IMPORTANT

We have a firm target to achieve capital self-sufficiency, which we will only achieve with the careful application of our available capital and a focus on ensuring that expenses are aligned to the scale and needs of the business. Careful stewardship of our finances makes money available to fund our existing business and diversification ambitions.

HOW WE ACHIEVE THIS

We have strong governance to focus on our on-going operating costs. A strong cost-benefit approach is embedded into all our investment decision making.

The evolution of our culture includes a strong emphasis on avoiding waste.

We use our internal model to drive a disciplined approach to pricing our services and to continuously improve our capital management activities.

A B C D E F

5.

DIVERSIFY OUR BUSINESS AWAY FROM ANY SINGLE BUSINESS LINE OR MARKET

We grow outside our core businesses by leveraging our insights, capabilities and intellectual property. We diversify to grow and also to reduce dependency on any one business line, distributor or market.

WHY THIS IS IMPORTANT

Our current markets have growth potential, but we already have substantial market shares and a focus on profitable new business over growth for the sake of it. So identifying new markets helps us access profitable opportunities to deploy our assets and capabilities.

Just as importantly, new markets are a means to diversify away from any concentration in market, regulatory or balance sheet risk.

With diversification we can seek to develop businesses that have a lower new business strain on capital, meaning growth is not constrained by our balance sheet.

HOW WE ACHIEVE THIS

We are selective in pursuing a limited number of diversification prospects. Our focus is on opportunities in which our existing assets and capabilities create advantage, maximise potential, and minimise downside risk. We closely monitor progress and act fast when expectations are not met.

A B C D E F

Strategy in action

HELPING DEFINED BENEFIT MEMBERS TO MAKE THE MOST OF THEIR PENSION BENEFITS

"

Our game-changing personalised member education portal helps scheme members understand pension options, leading to more efficient trustee-driven bulk transfer exercises

GARY THROWER
Managing Director, HUB Pension Solutions

Our ability to develop new business opportunities is demonstrated by HUB Pension Solutions.

HUB Pension Solutions launched in June 2018 to transform the way trustees, pension scheme members and financial advisers implement and participate in defined benefit pension scheme transfer exercises.

The new business is one of the HUB companies within Just Group, which focus on delivering corporate solutions to employee benefits consultants, financial advisers, pension schemes, other UK businesses and to their members, customers and clients.

HUB Pension Solutions provides a digital platform enabling financial advisers, who are providing advice to support scheme transfer exercises, to generate transfer value analysis for individual scheme members in real time at the click of a button. The service also provides trustees and scheme sponsors with support for their individual pension scheme members. It helps members understand the valuable benefits provided by their pension scheme, delivers real-time access to their up-to-date individual scheme benefits and helps them to compare these to other options available.

We've transformed the way scheme exercises can now be undertaken. HUB Pension Solutions uses digital technology to radically improve the way scheme specific information can be interrogated and delivered to pension scheme members and financial advisers.

WHY IS IT NEEDED?

There are 6.3 million potential customers who are yet to access their defined benefit pensions. Defined benefit pension entitlements can often be life-changing sums of money, but education and professional advice is essential to ensure individuals achieve good outcomes in retirement.

The Financial Conduct Authority wants to ensure this market is safer for consumers. Our new service delivers help direct to members before advice is even considered. Only those people who have concluded they have a solid reason for considering alternatives to receiving scheme benefits will be connected with the scheme's appointed regulated financial advisers.

"Currently, generating transfer value analysis for a large scheme can take months, it's done in an archaic way and costs too much. HUB Pension Solutions is a game-changer. The service integrates with Spence's award-winning administration platform allowing accurate, up-to-date member data to be interrogated in real time. This will radically speed up delivery times and reduce cost

DAVID DAVISON
Director at Spence & Partners

HUB PENSION SOLUTIONS

Strategy in action

BUSINESS PROCESS TRANSFORMATION

We are transforming the way work is done to deliver value for shareholders, protect the environment and provide a better place to work for our colleagues

PAUL TURNER
Managing Director, Retail

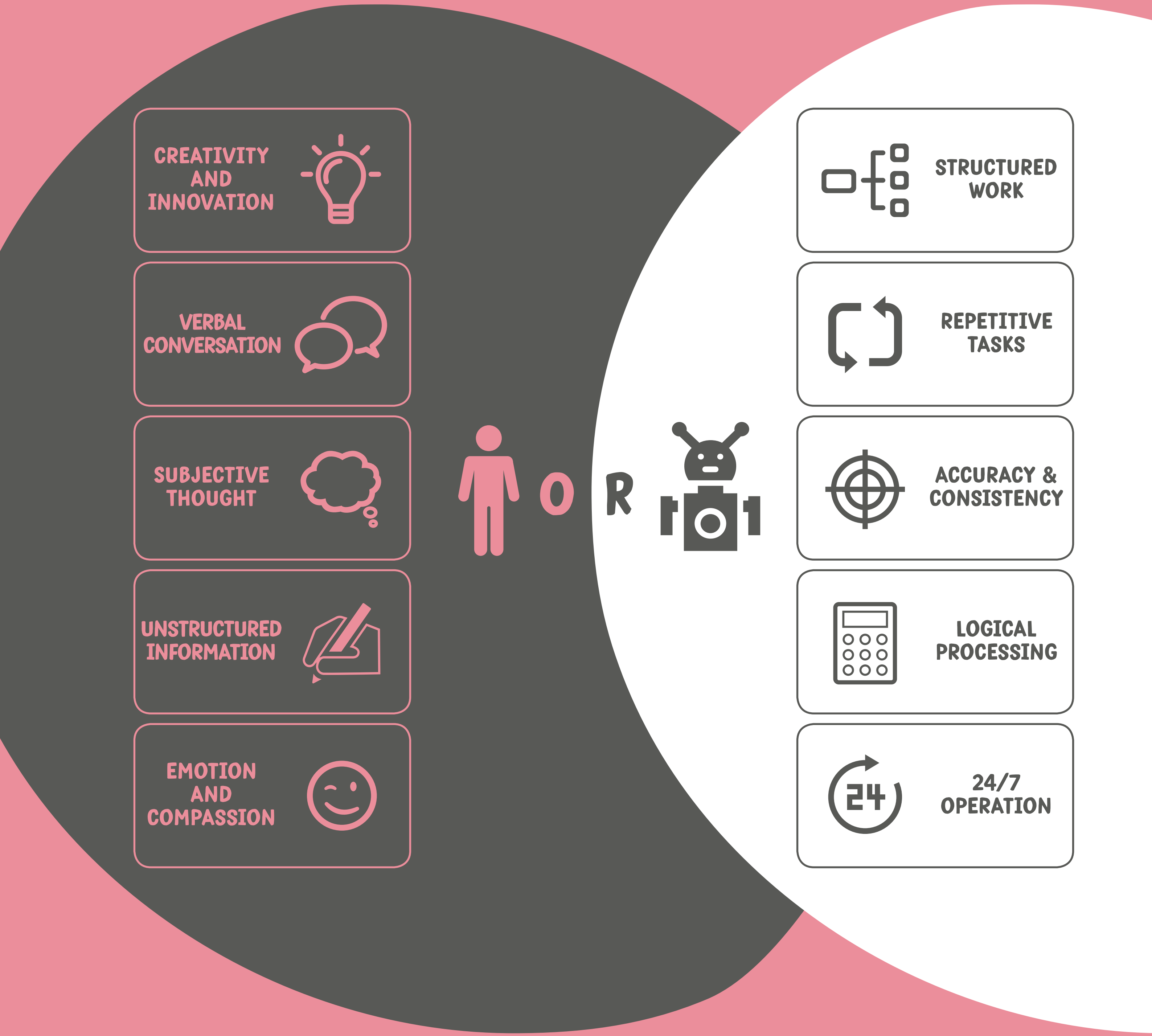
Our initiatives on business process transformation are aimed at delivering increased productivity and growth capability.

Business process transformation is about optimising and improving our ways of working to make us more efficient and ensuring we build the right foundations for achieving a genuinely scalable operating model. A range of benefits have quickly become clear, from being able to remove repetitive and time consuming tasks with little added value, through to having greater visibility of the activities of our colleagues so that we can work together more collaboratively. Initiatives include:

- Implementing a workforce management tool in order to improve efficiency by enabling a transparent view across the organisation of both our productivity and performance metrics so we can diversify, scale and automate as required.
- Rolling out a paperless approach across the Group. Implementation in our GIfL new business processes is eliminating over 500,000 pieces of A4 paper each year, and we expect to achieve similar impacts in other areas.
- Testing the use of robotic process automation tools. These tools help to increase speed and accuracy, especially for repetitive tasks. By partnering with one of the world's leading automation technology companies and utilising leading-edge industry software, the team has already established a programme of certification and identified a number of opportunities to implement automation throughout the first half of 2019.
- Removing duplicated activity across our retail customer services teams and our corporate solutions businesses.

OVERARCHING FOCUS
Our focus at Just is providing the best possible outcomes for our customers, which means that we must run our business as efficiently as possible, whilst delivering high standards of service.

ENLIGHTEN OPERATIONAL EXCELLENCE
We have implemented a transformation programme in parts of the Group where proven management techniques are combined with cutting-edge software. Successful implementation of this approach has enabled the Group to clearly identify how much it costs to serve customers at a process, team and functional level. This helps to identify major areas of waste within the business, which we focus on to improve the cost of delivering an outstanding customer experience. The objective is to ensure that behavioural change, metrics and a performance culture are deeply embedded within the business.


CREATIVITY AND INNOVATION
VERBAL CONVERSATION
SUBJECTIVE THOUGHT
UNSTRUCTURED INFORMATION
EMOTION AND COMPASSION
OR
STRUCTURED WORK
REPETITIVE TASKS
ACCURACY & CONSISTENCY
LOGICAL PROCESSING
24/7 OPERATION

Key performance indicators

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

Measured against our strategic objectives

1. GROW OUR MARKETS AND BROADEN OUR DISTRIBUTION REACH

2. GIVE CUSTOMERS A DISTINCTLY "JUST" EXPERIENCE EVERY TIME

3. MAKE SMART RISK CHOICES

4. FOCUS ON STRONG FINANCIAL MANAGEMENT

5. DIVERSIFY OUR BUSINESS AWAY FROM ANY SINGLE BUSINESS LINE OR MARKET

SEE PAGE 16 FOR OUR STRATEGIC OBJECTIVES

NEW BUSINESS SALES[1]

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. New business sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements.

2018
£2,827.4M

2018	2,827.4
2017	2,457.1
2016	3,480.6

LINK TO STRATEGIC OBJECTIVE
1. 2. 3. 4. 5.

IN-FORCE OPERATING PROFIT[1]

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. In-force profit provides a view of the contribution to profits from the business written by the Group during prior periods and aligns with the longer-term nature of these products. In-force operating profit is reconciled to IFRS profit before tax on pages 25 and 29.

2018
£71.7M

2018	71.7
2017	71.3
2016	89.3

LINK TO STRATEGIC OBJECTIVE
1. 2. 3. 4. 5.

NEW BUSINESS OPERATING PROFIT[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 is reconciled to IFRS profit before tax in the Financial Review.

2018
£243.7M

2018	243.7
2017	169.8
2016	171.7

LINK TO STRATEGIC OBJECTIVE
1. 2. 3. 4. 5.

ADJUSTED OPERATING PROFIT BEFORE TAX[1]

Adjusted operating profit before tax 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 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. Adjusted operating profit is reconciled to IFRS profit before tax on page 29.

2018
£210.3M

2018	210.3
2017	220.6
2016	215.7

LINK TO STRATEGIC OBJECTIVE
1. 2. 3. 4. 5.

IFRS (LOSS)/PROFIT BEFORE TAX

IFRS (loss)/profit before tax represents the (loss)/profit before tax attributable to equity holders.

2018

£(85.5)M

LINK TO STRATEGIC OBJECTIVE

1. 2. 3. 4. 5.

SOLVENCY II CAPITAL COVERAGE RATIO[2]

Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

2018

136% (estimated)

LINK TO STRATEGIC OBJECTIVE

1. 2. 3. 4. 5.

IFRS NET ASSETS

IFRS net assets represents the net assets attributable to equity holders.

2018

£1,663.8M

LINK TO STRATEGIC OBJECTIVE

1. 2. 3. 4. 5.

ECONOMIC CAPITAL COVERAGE RATIO[1]

Economic capital is a key risk-based capital measure and the economic capital coverage ratio expresses the Board's view of the available capital as a percentage of the required capital. The economic capital is the Group's internal assessment of the capital required to absorb a 1 in 200 year risk event and reflects our true economic view.

2018

256%

LINK TO STRATEGIC OBJECTIVE

1. 2. 3. 4. 5.

The KPIs above are shown for the following statutory reporting periods:
2018: 12 months ended 31 December 2018
2017: 12 months ended 31 December 2017
2016: 18 months ended 31 December 2016

1 Alternative performance measure.

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

Financial Review

DELIVERING RESULTS

Growth in sales and margins, focus on pricing discipline

DAVID RICHARDSON
Group Deputy Chief Executive Officer,
Interim Group Chief Financial Officer
and MD, UK Corporate Business

The Financial Review presents the results of the Group for the year ended 31 December 2018, including IFRS, Solvency II and economic capital information.

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

The Group's new business franchise has delivered significant growth in sales and margins during 2018, resulting in strong new business operating profits.

The Group completed the integration of its underwriting IP in 2018 and has updated its IFRS mortality and property assumptions at 31 December 2018. Updates to the Group's mortality assumptions and mortgage voluntary redemptions, which are included within operating profit, largely contributed a £33.5m negative change and resulted in a 5% reduction in adjusted operating profit this year, to £210.3m, compared to £220.6m in 2017. Updates to property assumptions, which are included in investment and economic losses, contributed a £236m negative change. The net effect of these assumption changes resulted in an IFRS loss before tax for the year of £85.5m (2017: IFRS profit before tax of £181.3m). These changes are explained in more detail below.

ADJUSTED OPERATING PROFIT BEFORE TAX

New business operating profit

New business operating profit has increased by 44%, from £169.8m in 2017 to £243.7m in 2018. This is due to increases in both Retirement Income sales and new business margins. Retirement Income sales increased by 15% from £1,889.9m in 2017 to £2,173.5m in 2018, driven by increased DB sales, and the new business margin for the year was 11.2% (2017: margin of 9.0%). The increased margin has been driven by the Group's continued focus on pricing discipline. The margins reported for the year are based on the opening 2018 IFRS actuarial assumptions. If the changes to the IFRS property assumptions at 31 December 2018 had taken place at the beginning of 2018, new business margins in 2018 would have been lower by approximately 1%. We are also taking measures to reduce the capital strain that new business generates by marginally reducing the LTM backing ratio for new business and reducing the duration and loan-to-value of our LTM. Taken together, this will lower the 2019 new business margin by at least another percentage point.

In-force operating profit

In-force operating profit has increased slightly compared to the prior year, from £71.3m to £71.7m, and represents the margin emerging from the growing in-force book of business, and the return on the Group's surplus assets.

Underlying operating profit

Underlying operating profit is the sum of new business operating profit and in-force operating profit, and has increased by 31%, from £241.1m to £315.4m, driven by the strong new business results.

Operating experience and assumption changes

Operating experience and assumption changes reported a negative variance of £(33.5)m for 2018, compared to a positive variance of £34.6m in the prior year.

Operating experience variances were negligible in aggregate as overall experience emerged in line with expectations. The Group has seen a small positive experience variance in relation to GIfL and Care mortality, and a small negative experience in relation to lifetime mortgage mortality and redemptions. Expense experience emerged in line with the updated assumptions set in the prior year, which were revised in 2017 to take into account the reduced per-policy running costs following the delivery of integration synergies post-merger.

Operating assumption changes were £(33.5)m negative overall.

ADJUSTED OPERATING PROFIT

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Change %
New business operating profit	**243.7**	169.8	44
In-force operating profit	**71.7**	71.3	1
Underlying operating profit	**315.4**	241.1	31
Operating experience and assumption changes	**(33.5)**	34.6	(197)
Other Group companies' operating results	**(14.6)**	(14.0)	(4)
Development expenditure	**(8.7)**	(1.1)	(691)
Reinsurance and finance costs	**(48.3)**	(40.0)	(21)
Adjusted operating profit before tax[1]	**210.3**	220.6	(5)

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

Financial Review continued

During 2018, the Group completed the exercise of integrating the IP from the Just Retirement and Partnership legacy businesses and carried out a comprehensive review of its longevity assumptions. As a consequence of this review the Group's proprietary tool for pricing and reserving new business, PrognoSys™, has been recalibrated using the combined businesses' mortality data set; mortality improvement assumptions have been updated using CMI 2017, the actuarial profession's benchmark model, as a base for initial rates of improvement, increasing the long-term rate of improvement, and aligning improvement rates for Retirement Income and mortgages; and the base level and structure of mortality assumptions for other legacy bases have been developed to align better with experience and includes a modification to assume a faster run-off of initial excess mortality for the more impaired lives.

Overall, the net effect of mortality assumption changes has been broadly neutral. However, in one of our larger, legacy medically underwritten blocks of business, the net impact of these changes resulted in an increase in reserves of £57m. On other lines of business, there was an overall reduction in reserves of £31m from these changes, and provisions which were held pending completion of this work of £30m have been released. Mortality improvement rates are closely intertwined with the base level and structure of the mortality basis for medically underwritten business. Moreover, that valuation is underpinned by a unique, large and rapidly expanding experience dataset.

Mortgage voluntary redemption assumptions were updated to reflect the latest experience and this resulted in a charge of £(33)m. Other minor assumption changes led to a charge of £4m.

Other Group companies' operating results

The operating result for other Group companies was a loss of £14.6m in 2018 compared to a loss of £14.0m in 2017. Included within this line item is the operating result for the Group's companies which operate under the HUB brand, and holding company costs.

Development expenditure

Development expenditure mainly relates to amounts spent on developing new products and services, such as our Just For You Lifetime Mortgage range which was launched in January 2019 and our innovative Secure Lifetime Income solution for investment platforms, launched in February 2019.

Reinsurance and finance costs

The increase in reinsurance and finance costs during 2018 is mainly due to interest on the £230m Tier 3 debt issued in February 2018.

NEW BUSINESS SALES

We have achieved double-digit growth in both Retirement Income sales and total new business sales for 2018. Retirement Income sales increased by 15%, from £1,889.9m in 2017 to £2,173.5m in 2018, and total new business sales also increased by 15%, from £2,457.1m in 2017 to £2,827.4m in 2018. The main reasons for these increases are explained below.

DB sales were £1,314.2m in 2018 (2017: £997.8m), an increase of 32%. The defined benefit de-risking market has grown significantly and in 2018 is expected to exceed £23bn (2017: £12.2bn). Employee benefits consultants have actively managed the industry pipeline, reducing seasonality, which resulted in an increase in business completed in the first half of the year.

GIfL sales decreased slightly by 4% to £786.5m in 2018, compared to £820.5m in 2017 and, as expected, sales slowed in the final quarter of 2018 as the pricing increases we implemented following the publication of CP13/18 took effect.

Care Plan sales for the year ended 31 December 2018 were £72.8m, a slight increase compared to 2017 sales of £71.6m, and we remain a leading provider in this sector.

NEW BUSINESS SALES

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**1,314.2**	997.8	32
Guaranteed Income for Life Solutions ("GIfL")	**786.5**	820.5	(4)
Care Plans ("CP")	**72.8**	71.6	2
Retirement Income sales	**2,173.5**	1,889.9	15
Drawdown	**51.0**	51.2	–
Total Retirement sales	**2,224.5**	1,941.1	15
Protection	**0.8**	6.0	NM
Lifetime Mortgage ("LTM") loans advanced	**602.1**	510.0	18
Total new business sales	**2,827.4**	2,457.1	15

Drawdown sales were £51.0m for the year (2017: £51.2m) and are mainly sales of the Group's Flexible Pension Plan ("FPP").

Our Protection product was closed to new business during the last quarter of 2017; the sales of £0.8m in 2018 related to the completion of pipeline applications.

Lifetime Mortgage advances were £602.1m in 2018 (2017: £510.0m), an increase of 18%. This growth is similar to our Retirement Income sales growth. During 2018 the lifetime mortgage market continued to grow, driven by increased demand from consumers and increased supply from insurers. We continue to believe that these assets are a good match for our GIfL and DB liabilities.

Following the publication of the Policy Statement we chose to be more selective in the business we acquired in the second half of 2018, which resulted in a reduction in new business volumes. We will continue to select the most attractive risks in 2019 and expect the pattern of new business to be more aligned to the second half of 2018.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) has decreased by 5% compared to the prior year, and reflects the decreased operating profit for 2018.

	Year ended 31 December 2018	Year ended 31 December 2017
Earnings (£m)	**170.3**	178.1
Weighted average number of shares (million)	**932.7**	930.0
EPS (pence)	**18.26**	19.15

CAPITAL MANAGEMENT

The Group continues to manage its business on both regulatory and economic capital bases.

Just Group plc estimated Solvency II capital position

The Group has approval to apply the matching adjustment, volatility adjustment and transitional measures on technical provisions ("TMTP") in its calculation of technical provisions and uses a combination of an internal model and the standard formula to calculate its Group Solvency Capital Requirement ("SCR").

The Group's Solvency II position was as follows:

Unaudited	**31 December 2018[1] £m**	31 December 2017[2] £m
Capital resources		
Own funds	**2,176**	2,135
Solvency Capital Requirement	**(1,597)**	(1,539)
Excess own funds	**579**	596
Solvency coverage ratio	**136%**	139%

1 These figures allow for a notional recalculation of TMTP as at 31 December 2018.
2 Just Group plc Solvency and Financial Condition Report published June 2018.

The Group's solvency coverage ratio was estimated at 136% at 31 December 2018, including a notional recalculation of TMTP (2017: 139%). A notional recalculation of TMTP allows for economic conditions as at 31 December 2018 and any changes in valuation assumptions during 2018. The Group's capital resources have benefited from the £230m Tier 3 capital issued in February 2018, offset by the capital strain from the continued growth in new business volumes written in the year and market movements.

TMTP is recalculated every two years and the next recalculation will be done at 31 December 2019. The Solvency Capital Requirement coverage ratio at 31 December 2018, excluding any notional recalculation of TMTP, has been estimated at 144%.

In July 2017, the PRA issued SS3/17 which set out principles for tests to be applied to the effective value of lifetime mortgages on insurers' Solvency II balance sheets. On 10 December 2018, the PRA issued PS31/18, which set out the parameters for these tests, to be applied from 31 December 2019. As at 31 December 2018, the Group's Solvency II balance sheet complies with the principles in SS3/17 and the parameters we have met for these tests (13% house price volatility and 0.3% deferment rate) are more prudent than those required as at 31 December 2019 in PS31/18 (13% house price volatility and 0% deferment rate, respectively).

During 2018 the Group has continued to demonstrate the strength of its new business franchise, reporting strong IFRS sales and new business margins. However, the strong new business sales have also driven capital strain in the Solvency II balance sheet. Whilst we continue to introduce steps to reduce the capital strain, such as changes to pricing and asset mix, the Group has announced an underwritten Restricted Tier 1 debt offering of at least £300m and an underwritten non pre-emptive equity placing of 9.99% of existing share capital to further strengthen its capital base in order to support the Company's new business franchise.

Summary of Just Group plc economic capital position

The table below shows the Group's economic capital position as at 31 December 2018. The capital coverage ratio at 31 December 2018 remains strong at 256% (2017: 238%). During the year the benefit of the £230m Tier 3 debt raised in February has been partially offset by the strengthening of the Group's mortality and property related assumptions.

Unaudited	**31 December 2018 £m**	31 December 2017 £m
Available capital	**2,806**	2,835
Required capital	**(1,097)**	(1,191)
Surplus economic capital	**1,709**	1,644
Capital solvency ratio	**256%**	238%

The economic capital is the Group's internal assessment of the capital required to absorb a 1 in 200 year risk event and reflects our true economic view. It excludes the prudent elements of Solvency II such as risk margins and matching adjustment eligibility of assets.

Financial Review continued

The table below analyses the movement in excess own funds.

Movement in excess capital resources[1]

Unaudited	£m
Excess own funds at 31 December 2017	596
Tier 3 debt issuance	230
In-force surplus (including impact of TMTP amortisation)	125
New business strain	(160)
Overrun and other expenses	(45)
Dividends and interest	(56)
Other, including economic and investment fluctuations[2]	(111)
Excess own funds at 31 December 2018	**579**

1 All figures are net of tax.
2 These figures allow for a notional recalculation of TMTP as at 31 December 2018.

Estimated Group Solvency II sensitivities

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2018[1]	136	579
-50 bps fall in interest rates (no TMTP recalculation)	-12	(159)
-50 bps fall in interest rates (with TMTP recalculation)	-2	0
+100 bps credit spreads	-1	(19)
+10% LTM early redemption	1	2
-10% property values	-17	(257)
-5% mortality	-14	(210)

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

Reconciliation of IFRS shareholders' net equity to Solvency II own funds

Unaudited	**31 December 2018[1] £m**	31 December 2017 £m
Shareholders' net equity on IFRS basis	**1,664**	1,741
Goodwill	**(34)**	(33)
Intangibles	**(137)**	(160)
Solvency II risk margin	**(851)**	(902)
Solvency II TMTP	**1,738**	2,110
Other valuation differences and impact on deferred tax	**(813)**	(1,009)
Ineligible items	**(7)**	(6)
Subordinated debt	**615**	394
Group adjustments	**1**	–
Solvency II own funds	**2,176**	2,135
Solvency II SCR	**(1,597)**	(1,539)
Solvency II excess own funds	**579**	596

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

As at 31 December 2018, the sensitivity of the Just Group's own funds (post-tax) to a 1% increase in the implied property volatility is a reduction of c. £26m and to a 0.5% increase in the implied deferment rate is a reduction of c. £63m. The sensitivities allow for an offset from a change in TMTP.

EMBEDDED VALUE PER SHARE (unaudited)

Embedded value per share at 31 December 2018 was 206p per share (2017: 228p per share).

IFRS RESULTS

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Adjusted operating profit before tax	**210.3**	220.6
Non-recurring and project expenditure	**(19.6)**	(11.6)
Investment and economic (losses)/profits	**(252.0)**	22.6
Acquisition integration costs	**–**	(25.6)
Amortisation	**(24.2)**	(24.7)
IFRS (loss)/profit before tax	**(85.5)**	181.3

Adjusted operating profit before tax

The underlying trends in the components of adjusted operating profit before tax are explained below.

Non-recurring and project expenditure

Non-recurring and project expenditure increased from £11.6m in 2017 to £19.6m in 2018. Non-recurring expenditure for 2018 includes costs associated with the issue of new Tier 3 capital in February 2018, as well as costs of exploring a range of capital options to further optimise the Group's balance sheet and capital tiering structure following the publication of CP13/18 in July. Project expenditure for 2018 relates to a number of projects across the Group, including investigating new products and markets, ensuring the Group's readiness for the requirements of the new General Data Protection Regulation ("GDPR") rules, and preparations for the new Insurance Contracts accounting standard, IFRS 17, and migration of IT systems.

Investment and economic losses/profits

Investment and economic losses were £252.0m (2017: profit of £22.6m).

During 2018 the Group reviewed and updated its property growth and volatility assumptions, which are the key inputs into the valuation of the NNEG included in our lifetime mortgage assets. The property growth assumption has been reduced from 4.25% to 3.8% per annum, and the property volatility assumption has been increased from 12% per annum to 13% per annum. In updating these assumptions the Board took into consideration future long and short-term forecasts, benchmarking data, and future macro economic uncertainties including the possible impact of Brexit on the UK property market. The strengthening of these assumptions has given rise to a £211m loss reported through this line, which is the combination of the change in lifetime mortgage asset values and the increase to the value of insurance liabilities from the resulting reduction to the valuation interest rate.

Investment and economic losses for 2018 also include the impact of an increase in risk-free rates, and a widening of credit spreads. By contrast, the year to 31 December 2017 benefited from a narrowing of credit spreads. The Group's hedging arrangements are designed to more closely hedge the Solvency II balance sheet and the IFRS balance sheet retains some exposure to movements in risk-free rates. There were no corporate bond defaults within our portfolio during the year (2017: no defaults).

Acquisition integration costs

Merger activity was substantially completed by 31 December 2017. Any remaining costs of aligning the legacy companies' IT systems are included in non-recurring and project expenditure.

Amortisation

Amortisation mainly relates to the acquired in-force business asset relating to Partnership Assurance Group plc, which is being amortised over ten years in line with the expected run-off of the in-force business.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Gross premiums written	**2,176.9**	1,893.4
Reinsurance premiums ceded	**(8.0)**	(17.1)
Reinsurance recapture	**543.3**	467.5
Net premium revenue	**2,712.2**	2,343.8
Net investment income	**142.6**	621.1
Fee and commission income	**8.2**	5.8
Total revenue	**2,863.0**	2,970.7
Net claims paid	**(749.9)**	(638.1)
Change in insurance liabilities	**(1,689.0)**	(1,656.5)
Change in investment contract liabilities	**0.4**	(6.3)
Acquisition costs	**(52.4)**	(43.1)
Other operating expenses	**(254.8)**	(238.4)
Finance costs	**(202.8)**	(207.0)
Total claims and expenses	**(2,948.5)**	(2,789.4)
(Loss)/profit before tax	**(85.5)**	181.3
Income tax	**21.2**	(26.2)
(Loss)/profit after tax	**(64.3)**	155.1

Gross premiums written

Gross premiums written for the year were £2,176.9m, an increase of 15% compared to the prior year (2017: £1,893.4m). The increase is driven by the 32% increase in DB sales.

Net premium revenue

Net premium revenue increased from £2,343.8m to £2,712.2m, which includes gross premiums written plus the impact of the reinsurance recaptures made during the year, partly offset by reinsurance premiums ceded.

Net investment income

Net investment income decreased from £621.1m to £142.6m in 2018. The main components of investment income are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. Increases in risk-free rates and widening credit spreads and changes in the Group's property growth and volatility assumptions have given rise to unrealised losses on the Group's corporate bond and mortgage portfolios during the current year. There were no corporate bond defaults during the year.

Financial Review continued

Net claims paid
Net claims paid increased to £749.9m, from £638.1m in 2017, reflecting the growth of the in-force book.

Change in insurance liabilities
Change in insurance liabilities was £1,689.0m for the current year, compared to £1,656.5m in 2017. The change for the year reflects the growth in insurance liabilities and the impact of reinsurance recaptures as noted above, changes to the Group's mortality assumptions, and changes to the valuation interest rate as a result of the changes to property assumptions.

Acquisition costs
Acquisition costs have increased from £43.1m in 2017 to £52.4m in 2018, mainly reflecting the increased volumes of new business written this year.

Other operating expenses
Other operating expenses increased from £238.4m in 2017 to £254.8m for the current year, mainly as a result of increases in development and other project-related expenditure and non-recurring costs.

Finance costs
The Group's overall finance costs decreased from £207.0m in 2017 to £202.8m in 2018. The reduction reflects reduced costs in relation to interest on reinsurance deposits; these balances have reduced during the year as a result of the reinsurance recaptures. Finance costs also include interest costs of £39.9m payable on the Group's subordinated debt (2017: £32.0m interest payable on subordinated debt).

Income tax
Income tax for the year ended 31 December 2018 was a credit of £21.2m (2017: income tax charge of £26.2m), with an effective tax rate of (24.8)% (2017: effective tax rate of 14.5%). The effective tax rate for the current year has been driven by the loss for the year and by one-off adjustments relating to prior periods. Without these one-off adjustments, the effective tax rate for the current year would have been 15.1%.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
The following table presents selected items from the Condensed consolidated statement of financial position, with key line item explanations below.

Financial investments
During the year, financial investments increased by £1.0bn, from £18.3bn at 31 December 2017 to £19.3bn at 31 December 2018. The increase is mainly a result of investing the Group's new business premiums into corporate bonds, gilts, loans secured by mortgages, and other fixed income investments. The credit quality of the corporate bond portfolio remains high, with 60% of the Group's corporate bond and gilts portfolio rated A or above (2017: 61%) and continues to be well balanced across a range of industry sectors. The loan-to-value ratio of the mortgage portfolio at 31 December 2018 was 32.5% (2017: 29%), and the percentage of lifetime mortgages remained the same at 37.4% of financial investments.

Condensed consolidated statement of financial position

	31 December 2018 £m	31 December 2017 £m
Assets		
Financial investments	**19,252.5**	18,287.1
Reinsurance assets	**4,239.2**	5,285.3
Other assets	**454.1**	592.5
Total assets	**23,945.8**	24,164.9
Share capital and share premium	**188.6**	188.0
Other reserves	**885.5**	881.1
Accumulated profit and other adjustments	**589.7**	671.4
Total equity	**1,663.8**	1,740.5
Liabilities		
Insurance liabilities	**17,273.8**	16,633.0
Other financial liabilities	**4,063.3**	5,045.4
Insurance and other payables	**78.3**	85.5
Other liabilities	**866.6**	660.5
Total liabilities	**22,282.0**	22,424.4
Total equity and liabilities	**23,945.8**	24,164.9

The following table provides a breakdown by credit rating of financial investments.

	31 December 2018 £m	31 December 2018 %	31 December 2017 £m	31 December 2017 %
AAA[1]	**1,798.9**	**9.3**	1,751.1	9.6
AA[1] and gilts	**1,799.8**	**9.3**	1,523.0	8.3
A	**3,151.1**	**16.4**	3,397.2	18.6
BBB	**4,072.0**	**21.1**	3,944.8	21.6
BB or below	**208.2**	**1.1**	151.0	0.8
Unrated	**1,031.0**	**5.4**	686.7	3.7
Lifetime mortgages	**7,191.5**	**37.4**	6,833.3	37.4
Total	**19,252.5**	**100.0**	18,287.1	100.0

1 Includes units held in liquidity funds.

Just Group has signed up to the United Nations Principles for Responsible Investment ("PRI"). We are the first UK insurer to do this. In making investment decisions sustainable, investing principles are formally embedded within our processes, as set out in our Sustainable Investment Framework approved by the Board. As an example of part of this process the Group made the decision in 2016 to sell all of its tobacco holdings. Over the last two years the Group has invested in c. £350m of infrastructure debt supporting renewable projects such as wind farms and solar plants and continues to actively seek for opportunities in the renewable sector. One of our main renewable infrastructure investments is already generating enough energy to supply electricity for 600,000 UK homes.

The sector analysis of the Group's financial investments portfolio at 31 December 2018 is shown below and continues to be well balanced across a variety of industry sectors.

	31 December 2018 £m	31 December 2018 %	31 December 2017 £m	31 December 2017 %
Basic materials	**272.4**	**1.4**	256.8	1.4
Communications	**963.8**	**5.0**	817.3	4.5
Auto manufacturers	**319.4**	**1.7**	291.9	1.6
Consumer	**878.3**	**4.6**	846.3	4.6
Energy	**313.1**	**1.6**	290.3	1.6
Banks	**2,086.3**	**10.7**	2,227.3	12.2
Insurance	**733.9**	**3.8**	819.3	4.5
Financial – other	**936.3**	**4.9**	633.4	3.5
Government	**1,253.3**	**6.5**	1,264.9	6.9
Industrial	**447.4**	**2.3**	632.0	3.4
Utilities	**1,512.1**	**7.9**	1,429.6	7.8
Liquidity funds	**882.5**	**4.6**	897.9	4.9
Lifetime mortgages	**7,191.5**	**37.4**	6,833.3	37.4
Commercial mortgages	**392.3**	**2.0**	215.4	1.2
Infrastructure loans	**858.9**	**4.5**	513.7	2.8
Other	**211.0**	**1.1**	317.7	1.7
Total	**19,252.5**	**100.0**	18,287.1	100.0

Reinsurance assets
Reinsurance assets decreased from £5.3bn at 31 December 2017 to £4.2bn at 31 December 2018. The decrease relates to the impact of reinsurance recaptures made during the year, and to the receipt of reinsurers' share of claims paid during the year. Following the introduction of Solvency II, the Group has increased its use of reinsurance swaps rather than quota share treaties.

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

Insurance liabilities
Insurance liabilities increased from £16.6bn at 31 December 2017 to £17.3bn at 31 December 2018. The increase in liabilities arose as a result of new insurance business written less claims paid and the impact of strengthening the Group's mortality assumptions and changes to the valuation interest rate as a result of the changes to property assumptions, partially offset by the effect of rising long-term interest rates.

Other financial liabilities
Other financial liabilities decreased from £5.0bn at 31 December 2017 to £4.1bn at 31 December 2018. These liabilities are mainly reinsurance related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances. The change in the financial liability balance mainly reflects reinsurance recaptures made in the year.

Insurance and other payables
Insurance and other payables decreased from £85.5m at 31 December 2017 to £78.3m at 31 December 2018.

Other liabilities
Other liability balances increased from £660.5m at 31 December 2017 to £866.6m at 31 December 2018. The overall increase in the year is due to the £230m Tier 3 subordinated debt issued by the Group in February 2018.

IFRS net assets
The Group's total equity at 31 December 2018 was £1,663.8m, compared to £1,740.5m at 31 December 2017. The reduction in net assets mainly reflects the IFRS loss after tax of £64.3m for the year and the 2017 final dividend, which was paid in May 2018.

DIVIDENDS
The Board considers it appropriate not to pay a final year dividend for 2018 (total 2017: 3.72 pence per share).

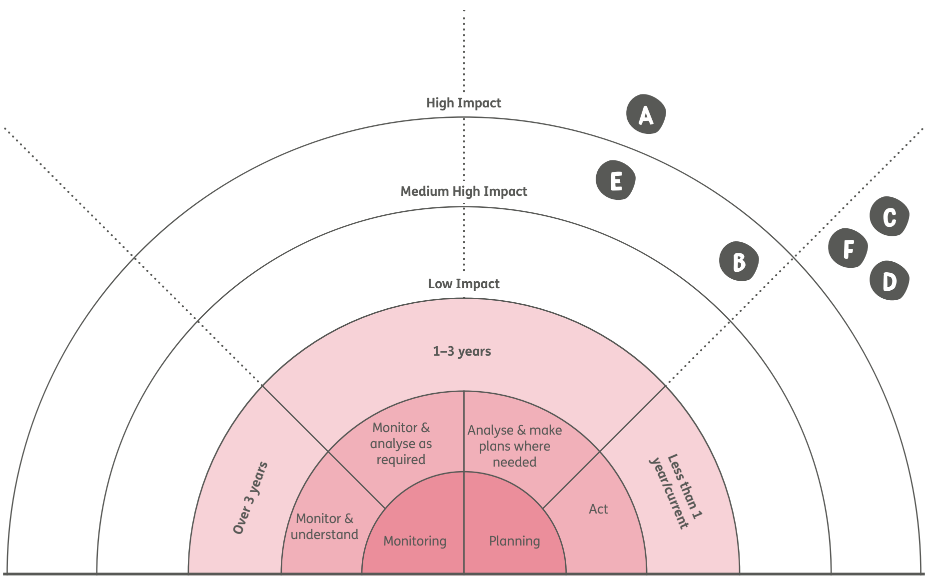
The Board's current expectation is to recommence dividend payments during the 2019 financial year at a rebased level. The rebased level for the 2019 full year dividend is expected to be approximately one third of the 3.72 pence total dividend paid during the 2017 financial year, subject to the Group's earnings, cash flow and capital position.

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

Risk management

STRONG RISK CULTURE

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



Timescale and Management Actions

- **A** Risks from our chosen market environment
- **B** Risks from our pricing assumptions
- **C** Risks from regulatory changes
- **D** Risks from the economic environment
- **E** Risks arising from operational processes and IT systems
- **F** Risks to the Group's brands and reputation

PURPOSE

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

RISK FRAMEWORK

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

RISK EVALUATION AND REPORTING

We evaluate our risks and decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces reports to provide assurance that material risks in the business are being appropriately mitigated. The Risk function, led by the Group Chief Risk Officer ("GCRO"), challenges the management team on the effectiveness of its risk evaluation and mitigation. The GCRO provides the Group Risk and Compliance Committee 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 capital risk appetite. This modelling is aligned to both our economic capital and regulatory capital metrics. This modelling allows the Board to understand both the risks included in the Solvency Capital Requirement ("SCR") and those not included in the SCR, such as liquidity and strategic risks, and how they translate into economic and regulatory capital needs. 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 appraised of the Group's evolving risk profile.

EMBEDDING GOVERNANCE VIA THREE LINES OF DEFENCE

1ST LINE	**BUSINESS OPERATIONS** The first level of the control environment is the business operations which perform day-to-day risk management activity	**Risk & Control** • An established risk and control environment
2ND LINE	**OVERSIGHT FUNCTIONS** Oversight functions in the Company, such as Risk Management, Compliance and Chief Actuary, support the Board in setting risk appetite and defining risk and compliance policy	**Risk & Control** • Oversight of the risk and control environment • Independent challenge and reporting on the risk profile and conduct of the business • Monitoring actions being taken to mitigate risk
3RD LINE	**INDEPENDENT ASSURANCE** Internal Audit is the third line of defence, offering independent challenge to the levels of assurance provided by business operations and oversight functions	**Risk & Control** • Provide independent challenge and assurance

VIABILITY STATEMENT

The Directors 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 five years. The Directors have carried out a robust assessment of the principal 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, including the risks from the UK's withdrawal from the European Union.

The Directors have also assessed the impact of complying with the parameters set out in PS31/18 "Solvency II: Equity release mortgages" over the next five years, which is included in the Group plan approved by the Board.

The Board has considered the ability of the Group to continue to write the anticipated levels of new business over the next five years, the associated capital requirements and the need to raise additional capital in order to write that level of new business. As a result, the Group plans to strengthen its capital position during 2019 and beyond in order to support the new business franchise over the next five years. In assessing viability the Board has considered the risk that the Group may not be able to raise new capital.

On 14 March 2019 the Group announced an underwritten Restricted Tier 1 debt offering of at least £300m and an underwritten non pre-emptive equity placing of 9.99% of existing share capital.

In addition, the Board will continue to review the need for further capital and its optimal capital mix including consideration of the use of unutilised Tier 2 capacity and including the refinancing of the existing Partnership Life Assurance Company Limited Tier 2 debt which has a call option in March 2020.

The Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising further capital, varying the volumes of new business written and a scenario where the Group ceases to write new business. In particular, if adequate capital is not available to fund continued writing of material levels of new business, the scope of the Group's business would change. In that case, even if the Group ceases to write new business, the Group would still be viable, although as a Group managing its existing book of business in run-off.

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 five years to be an appropriate time frame upon which they can report with a reasonable degree of confidence. A five year time frame has been selected for this statement, although the Group, as with any insurance group, has policyholder liabilities in excess of five years and therefore performs its modelling and stress and scenario testing on time frames extending to the expected settlement of these liabilities, with results reported in the Group's ORSA.

Principal risks and uncertainties

RISK	CHANGE IN THE YEAR	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION	RISK OUTLOOK
RISK A **RISKS FROM OUR CHOSEN MARKET ENVIRONMENT** Strategic objective 1. 2. 3. 4. 5.		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. The Group has developed propositions to enable customers to have more flexible retirement solutions. Customers' need for a secure income in retirement continues and the Group expects that demand for guaranteed income for life solutions will continue. The equity release market continues to grow due to consumer demand. The market has been dominated by a limited number of specialist providers, but new entrants – both providers and funders – have emerged along with new product launches and, despite the market growth, the intensity of competition has increased. The equity release asset class provides a good match for the Group's longer duration DB de-risking and GIfL liabilities, where suitable longer duration corporate or government bonds or other appropriate assets are scarce.	Our approach to legislative change is to participate actively and engage with policymakers, and this will not change. The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials and financial strength. The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour. Work continues to improve the customer appeal of the Group's equity release products, explore new product variants and meet distributors' digital and service needs.	
RISK B **RISKS FROM OUR PRICING ASSUMPTIONS** Strategic objective 1. 2. 3. 4. 5.		Writing long-term DB de-risking, GIfL and equity release business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest 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. The Group's assumptions on these risk factors may differ materially from experience, requiring them to be recalibrated. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.	To manage the risk of our longevity assumptions being inaccurate, the Group has the benefit of extensive underwritten mortality data to provide insights and enhanced understanding of the longevity risks that the Group chooses to take. Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products. Some longevity risk exposure is 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 risk is typically mitigated through the reinsurer depositing the reinsurance premiums back to the Group or into third party trusts and by collateral arrangements. For equity release, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-property value ratio, supported by product design features, limiting specific property types and exposure to each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations.	

STRATEGIC OBJECTIVES

1. GROW OUR MARKETS AND BROADEN OUR DISTRIBUTION REACH
2. GIVE CUSTOMERS A DISTINCTLY "JUST" EXPERIENCE EVERY TIME
3. MAKE SMART RISK CHOICES
4. FOCUS ON STRONG FINANCIAL MANAGEMENT
5. DIVERSIFY OUR BUSINESS AWAY FROM ANY SINGLE BUSINESS LINE OR MARKET

RISK OUTLOOK

NO CHANGE/STABLE
INCREASING
DECREASING

RISK	CHANGE IN THE YEAR	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION	RISK OUTLOOK

RISK C
RISKS FROM REGULATORY CHANGES

Change in the year: No change/stable

Risk outlook: Increasing

Strategic objective

1. 2. 3. 4. 5.

Description and impact

The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. The regulatory agenda for the coming year covers many areas directly relevant to the Group.

The Prudential Regulation Authority ("PRA") has published supervisory statements that set out its expectations for certain aspects of prudential regulation under Solvency II. This includes statements relating to illiquid assets, matching adjustments and transitional provisions. Further consultations are being published on these subjects which would, if implemented, impact on the regulatory capital position of the Group.

On 10 December 2018, the PRA published PS31/18, updating SS3/17 in respect of the valuation of no-negative equity guarantees ("NNEG") in equity release mortgages. Following extensive industry feedback and engagement on its consultation, our interpretation of PS31/18 is that the PRA has made a number of key changes to its proposals. The transitional measure on technical provisions ("TMTP") for pre-2016 business will continue to be recognised over the remaining transitional period to 31 December 2031, the deferment rate will be 1%, volatility will initially be set at 13% and effective value test ("EVT") will not be applied to other assets. These provisions will apply from 31 December 2019, rather than 2018 as originally proposed.

Improving operational resilience of financial services firms has become a key focus of both the FCA and PRA, with the expectation that firms will review and enhance their operational resilience frameworks covering internal operations, systems and technology.

EU General Data Protection Regulation ("GDPR") came into effect on 25 May 2018. Whilst the principles of GDPR are similar to those of the UK Data Protection Act 1998, its requirements are more prescriptive and the rights of consumers are clearer and easier to enforce. We have not observed any significant changes in consumer behaviours with regard to exercising their rights under GDPR.

The Department for Work and Pensions is seeking views on a new legislative framework for authorising and regulating defined benefit superfund consolidation vehicles of the type envisaged by the White Paper – "Protecting defined benefit pension schemes" – published in March 2018, which could potentially impact the Group's future Defined Benefit De-risking business volumes.

The regulatory focus on the issue of sustainable finance and particularly the risks that climate change could have on the safety and soundness of firms and stability of the financial system may accelerate actions of market participants that then have an impact on the availability and attractiveness of certain securities.

The ultimate terms of the UK's exit from the EU could have significant consequences for the regulations and legislation that apply to Just's operations.

Mitigation and management action

We monitor and assess regulatory developments on an on-going basis. We actively seek to participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any required changes effectively, and to deliver better outcomes for our customers and competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations.

A key focus for the Group is addressing the implications of PS31/18 while maintaining the confidence of our stakeholders. This includes strengthening our capital base, for which we announced plans, in order to support the new business franchise.

Any changes to the regulatory environment as a result of the UK's withdrawal from the EU are being monitored.

Just has an approved partial internal model to calculate a Group Solvency Capital Requirement, and intends to progress an internal model major change application for Partnership Life Assurance Company Limited to use the Group internal model.

Just Group welcomes the PRA's confirmation that transitional relief will remain available for pre-2016 business and that the implementation of PS31/18 has been deferred. This means the Board can evaluate the optimal capital structure to support our new business franchise in a considered manner.

We note the PRA's intention to consult further in early 2019 on various matters relating to equity release mortgages, including how the volatility and deferment rates are reset and how the EVT applies in stress. We will continue to seek to influence the PRA's developing views on prudential regulation and will work constructively with the PRA as part of the process of those consultations.

Principal risks and uncertainties continued

RISK	CHANGE IN THE YEAR	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION	RISK OUTLOOK
RISK D RISKS FROM THE ECONOMIC ENVIRONMENT Strategic objective 1. 2. 3. 4. 5.	▲	The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. An adverse economic environment could increase the risk of credit downgrades and defaults in our corporate bond portfolio. The lack of clarity regarding the UK's future arrangements with the EU has introduced material uncertainty for the UK's macro-economic outlook in the medium and long term. It is too early to be clear on the long-term implications of departure from the EU for the UK economy and indeed the wider economic impacts on the rest of Europe. However, the Group remains exposed to any indirect impact that the UK's withdrawal has on the UK economy as a whole, including residential house prices – the UK's withdrawal from the EU could result in property values stagnating or falling in some, or all, UK regions. A disorderly or "no-deal" Brexit is likely to have the largest impact on the UK economy. In an environment of low interest rates, investors may be more willing to accept higher credit and liquidity risk to improve investment returns. These conditions do make it challenging to source sufficient assets to offer attractive DB de-risking and GIfL terms. Low credit spreads similarly affect the income that can be made available, although margins from our equity release portfolio help offset this risk. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's DB de-risking business volumes grow, its exposure to inflation risk increases. A fall in residential property values could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the possible shortfall in the redemption of equity release mortgages also increases if property values drop. Conversely, significant future rises in property values could increase early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity and availability is also a risk to any intention that the Group may have to raise capital.	Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover our long-term liabilities to customers and the related risks, and to inform management action plans. It is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group as it is predominantly UK-based with no services provided into other countries of the EEA, and its customers and policyholders are predominantly UK-based. The Group's strategy is to buy and hold high-quality, lower-risk assets in its investment portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is managed by specialist fund managers executing a diversified investment strategy in assets within counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors of investment assets. Such diversification 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. The Group's exposure to inflation risk through the DB de-risking business is managed with index-linked bonds and inflation hedges. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There is 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 investments, business operations and our obligations to customers.	▲

RISK	CHANGE IN THE YEAR	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION	RISK OUTLOOK
RISK E RISKS ARISING FROM OPERATIONAL PROCESSES AND IT SYSTEMS Strategic objective 1. 2. 3. 4. 5.		The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business as well as harm its reputation. Large organisations continue to be targets for cyber-crime, particularly those organisations that hold customers' personal details. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.	The Group maintains a suite of risk management tools to help identify, measure, monitor, manage and report its operational risks, including those arising from operational processes and IT systems. These include a risk management system, risk and control assessments, risk event and loss reporting management, scenario analysis and risk reporting through the ORSA. The Group maintains plans and controls to minimise the risk of business disruption and information security-related events. Detailed incident and crisis management plans also exist to ensure effective responses. These are supported by specialist third parties for our workplace recovery centre. 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. The Group continues to invest in its information security control environment, but we recognise that the speed of change in cyber-threats means that a risk exposure remains.	
RISK F RISKS TO THE GROUP'S BRANDS AND REPUTATION Strategic objective 1. 2. 3. 4. 5.		Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we intend to conduct our business and treat our customer and wider stakeholder groups. There is a risk that the Group's brands and reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. Damage to our brands or reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny. Additionally, the Group's 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.	The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brands, and we encourage our colleagues to take pride in the quality of service they provide to our customers. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. The Group maintains a system of internal control, with associated policies and operational procedures, that define the standards we expect of all colleagues.	

Our people, values & culture

JUST GREAT!

We want Just to be a great place to work and we recognise that passionate and engaged colleagues are crucial for our business to thrive and succeed in delivering innovative products and services to our customers.

During 2018 we've taken actions to drive our people and organisation strategy around three priorities – building the right organisational culture, strengthening our capabilities, and developing an engaging employee experience.

BUILDING THE RIGHT CULTURE

We are focused on developing the right culture to support a high performance organisation, where our Group strategy, business purpose and Just behaviours are universally understood.

Doing business the Just way

Just is a business with strong values and we are a brand recognised for being honest, moral and upright. Underpinning all of our colleagues' behaviours and customer-focused activities is a principle that we do business the right way. Through a communication programme in 2018 called "Doing business the Just way" we encouraged colleagues to think about the short and long-term impact of their decisions, and those of their colleagues, and consider how these decisions create good outcomes for our customers and safeguard our reputation. This is aligned to a set of behavioural principles that reflect our purpose, values and culture which are embedded within our appraisal framework. We place high expectations on our colleagues to do the right thing and deliver our purpose. Doing business the Just way is a shared responsibility that starts with the Board and permeates through the entire organisation.

Diversity, inclusion and wellbeing at our core

We have pledged to build a culture which has diversity and inclusion at its core and we approach inclusivity in its broadest sense, from gender, diversity of thought and wellbeing, to how we make our workforce part of the wider society in which we operate.

Members of the Board are fully engaged and actively support our commitment to improve diversity and inclusion across the Group. Our Group Deputy CEO, David Richardson, is the executive sponsor for diversity and inclusion. David and other executives have engaged in online and face-to-face forums with colleagues to gather their feedback and perspective on diversity challenges and initiatives, and in addition take part externally in industry-wide discussions. Diversity and inclusion is a challenge faced across our industry and we are taking action to promote awareness, change behaviour and embed a truly inclusive organisational culture at Just.

In 2018 we reported a median gender pay gap of 37.8%. The data shows that this gap is not an equal pay for equal roles issue, but is due to the relatively lower proportion of females in senior roles within the organisation compared to males. Whilst 46% of our colleagues are female, only 20% of our senior leaders (including executives and their direct reports) are female (see the table on page 87). Although our analysis has shown that there is no gender bias in our recruitment or promotion process, we are working hard and taking action to address the many and varied causes of the gender pay gap. We have rolled out unconscious bias training to all colleagues across the Group to raise awareness of bias in the workplace.

We have signed up to the HM Treasury Women in Finance Charter and set a "33 by 23" target to increase the percentage of women in senior leadership roles. We have provided opportunities to accelerate the development of our female talent, including leadership initiatives, coaching, mentoring programmes and events such as "Women of the Square Mile". In September we co-hosted "Mind Matters – Talking Mental Health at Work", at the Dive In festival for diversity and inclusion in insurance. This festival aims to raise awareness of the benefits of diversity and inclusion and encourages the broader industry to take action. We have also undertaken a programme of activities which focus on the mental, physical and financial wellbeing of our colleagues.

Promoting leadership communication and engagement

Ensuring that our leaders engage regularly with our colleagues across the Group is an important part of our culture, and we have taken the opportunity to introduce additional formal and informal ways to encourage this. Our leadership team regularly hold "lean coffee" conversations and blog on a variety of issues. Our Non-Executive Directors are also engaged with the wider workforce in sessions of their own ensuring they clearly hear our "colleague voice" and take this insight into the boardroom.

NON-FINANCIAL INFORMATION REPORTING

Respect for human rights
See page 86

Environmental matters
See page 41

Employee matters
See pages 38 to 39 and 48 to 49

Social matters
See pages 38 to 39

Anti-corruption and bribery
See page 51

CAPABILITY

Ensuring we have the right capabilities to support and deliver our business plan is a long-term strategic focus. During 2018 we concentrated on building our leadership pipeline and enhancing our commercial capacity across the Group.

Developing leadership skills

We have invested in leadership programmes for all of our senior leaders and people managers. A senior leadership benchmarking programme called "Enterprise Leadership" has enabled our leaders to better understand their performance and impact, and given the organisation a robust view of its talent.

Supporting all colleagues' development

We are committed to the continuous development of all of our colleagues and we actively support professional development with internal and external events. Over the year we sponsored over 40 actuaries through exams with the Institute and Faculty of Actuaries and over 60 colleagues through exams with the Chartered Insurance Institute. This enables us to retain and develop the particular technical professional skills we need in our business.

Differentiating our customer experience through understanding vulnerability

We consider it's important for all colleagues across the Group, particularly those in customer-facing roles, to have an increased awareness and understanding of the challenges facing people who can become vulnerable at different times in their lives. We have designed and delivered a series of training programmes in 2018 – from back office teams to members of the Board. In conjunction with the independent think tank International Longevity Centre UK, we have brought together specialists with experience of working with vulnerable people and to provide solutions to some of these issues. Using this understanding means we are able to give our colleagues the confidence and detailed knowledge of specific customer needs, enabling them to tailor the Just customer experience.

EMPLOYEE EXPERIENCE

Whether they are being hired, or are already here, ensuring our colleagues have a great experience at Just contributes significantly to our ability to attract, secure, and retain high quality people for our business. In developing our employee experience we have adopted a holistic approach – from ensuring our colleagues understand our purpose and strategy and how their work supports it, through to creating a positive physical environment for people to perform at their best.

Maintaining good levels of colleague engagement

During 2018 we've taken specific and tangible actions to ensure that Just continues to be a great place to work. We have good levels of colleague engagement and have once again maintained our accreditation as "One to Watch" in the Best Companies survey. We actively encourage colleagues to share what they think we do well as a business so that we understand their views, know the areas in which our colleagues believe we can improve, and make the necessary changes together to build a better business. We have provided regular updates on the actions we are taking in monthly "Just Action" updates.

Understanding and supporting the Company's purpose

835 colleagues from around the Group attended one of 20 "Just Be Proud" interactive events to discuss what makes Just a special business and what sets us apart from the competition. Aligned to our purpose, in the summer we asked people to nominate a new corporate charity, and we announced that we would be supporting Contact the Elderly. This is a small charity that helps combat the growing societal challenge of isolation and loneliness in later life.

Developing the optimum working environment

Our physical environment and ways of working are important to people's overall wellbeing, help improve collaboration and mean we can spend more productive time with our customers. We've made considerable progress in refurbishing our office environment and improving how we do things by using new technology solutions and adopting straight through processing.

Corporate responsibility

JUST GOING PAPERLESS

During 2018 we've put a significant effort into reducing the amount of paper that we use at Just

In one of our key business areas, Guaranteed Income for Life, we were printing over 700 pages per day on applications alone. In total, we estimated that we were using over half a million pieces of A4 paper each year, that's the equivalent of approximately 1.5 acres of forest.

By improving our ways of working and moving to paperless processing, not only are we doing business in a more sustainable and environmentally friendly way, we are also providing a better service to our customers, and creating a more streamlined and pleasant working environment for our people.

We'll be continuing this paperless journey into 2019 by extending this approach to other parts of our organisation.

We are committed to reducing our impact on the environment, promoting good corporate and environmental practice and doing business the Just way.

Just's Group Corporate Social Responsibility policy defines the minimum standards for managing relevant opportunities and risks. The Directors believe the direct environmental impact of Just Group's people and operations is relatively low due to the office based nature of the Company's activities.

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

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

GHG EMISSIONS DATA

Tonnes of CO_2e (tCO_2e)	Year ended 31 December 2018	Year ended 31 December 2017
Scope 1 – Gas consumption	163	144
Scope 2 – Purchased electricity	700	901
Scope 3 – Business travel	1,781	1,834
Total emissions	2,644	2,879
Intensity measurement "tCO_2e per full time employee"	2.41	2.64
Intensity measurement "tCO_2e per £m revenue"	0.69	1.52

1. Approach
We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting Standard Set 31 July 2019.

2. Organisational boundary
We have used the financial control approach to identify the GHG emissions for which Just Group have responsibility. The boundaries of the reported emissions comprise all UK offices and building related emissions including business travel, covering car, train and flights (long haul and domestic).

3. Operational scopes
We have identified and measured our Scope 1 and 2 emissions, and significant Scope 3 emissions with the support of independent consultants, Alphacello Ltd.

4. Targets
Just Group has set annual targets in accordance with the recommendations that are included within our ESOS Energy Pack, which has been submitted to the Environment Agency.

5. Intensity measurement
Greenhouse gas emissions are measured in units of tonnes of carbon dioxide equivalent ("tCO_2e") which is a standard unit used to express the impact of each different greenhouse gas in terms of the amount of CO_2 that would create the same amount of warming.

We use both a financial emissions intensity metric (tCO_2e per £m revenue) and an employee intensity metric (tCO_2e per employee) to normalise our data and provide useful performance indicators. 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.

6. Approach to assurance
Alphacello Ltd conduct an annual review of Just Group's data collation and calculation processes and provide verification of their GHG Emissions Statement.

7. Carbon offsets
At present, carbon offsets do not form part of our carbon mitigation strategy. The building we occupy in London uses photovoltaic cells to generate renewable energy. Implementing energy-saving initiatives, updating air conditioning units, installing energy efficient LED lighting and reducing our reliance on business consumables throughout our buildings all help to reduce Just's carbon footprint.

CARBON FOOTPRINT = 2,544 TONNES OF CO_2E = 8% REDUCTION SINCE 2017

ISO 14001: 2015 CERTIFIED

We recognise the risks presented by climate change and remain committed to supporting a healthy and sustainable environment by establishing policies/programmes that specifically outline how we conduct business in a safe, environmentally sound manner in accordance with relevant legislation and regulations.

ESOS 2014 COMPLIANT

Our operations reflect our focus on recycling, conserving resources and preventing pollution. Our facilities planning and processes take into account environmental considerations such as energy consumption, travel emissions and efficient use of office space.

SUPPORTING THE PHASE-OUT OF SINGLE-USE PLASTICS

We regularly conduct formal reviews to make sure our activities comply with environmental regulations and internal practices. We've always been a company that builds for the next generation. And for those generations, we have a duty to appreciate, manage and protect our earth's resources.

GLOBAL STAFF TRAVEL EMISSIONS

We report annually to the Carbon Disclosure Project, a global disclosure platform allowing us to measure and manage our environmental impacts. We measure our performance against sustainability objectives and determine progress made to reduce our environmental footprint.

1,164,393
Business miles travelled

APPROVAL

The Strategic Report was approved by the Board of Directors on 14 March 2019 and signed on its behalf by:

Chris Gibson-Smith

Chris Gibson-Smith
Chairman

Governance

COMMITTED TO HIGH STANDARDS

The Group Board is committed to high standards of corporate governance in Just 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

> During the year, the Company has applied the main principles of the UK Corporate Governance Code (the "Code"). The Board considers that it has complied with the provisions of the Code during the year

IN THIS SECTION

Board of Directors

CHRIS GIBSON-SMITH,
Chairman

Appointed: 04 April 2016

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

Chris brings over 46 years' business experience across a wide range of industries. This includes over 40 years of cumulative FTSE main board experience, 26 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 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.

Committee and internal directorships

Chair of the Nomination Committee and Market Disclosure Committee

Member of the Group Risk and Compliance Committee and Remuneration Committee

Director of Just Retirement Limited and Partnership Life Assurance Company Limited

Current other listed directorships

Vice Chairman of UBS Investment Bank

RODNEY COOK,
Group Chief Executive Officer

Appointed: 05 July 2010

Rodney Cook was appointed as Group Chief Executive Officer of Just 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. Rodney, a qualified actuary, has 40 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.

Committee and internal directorships

Member of the Market Disclosure Committee

Executive Director of Just Retirement Limited and Partnership Life Assurance Company Limited

Current other listed directorships

None

SENIOR INDEPENDENT DIRECTOR

DAVID RICHARDSON,
Group Deputy Chief Executive Officer, Interim Group Chief Financial Officer and Managing Director, UK Corporate Business

Appointed: 04 April 2016

David Richardson was appointed as Group Deputy Chief Executive Officer and Managing Director of the UK Corporate Business of Just Group plc in April 2016, and was appointed as Interim Group Chief Financial Officer on 31 October 2018. 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.

Committee and internal directorships

Member of the Market Disclosure Committee

Executive Director of Just Retirement Limited, Partnership Life Assurance Company Limited, Just Retirement Money Limited, and Partnership Home Loans Limited

Current other listed directorships

None

KEITH NICHOLSON,
Senior Independent Director

Appointed: 09 October 2013

Keith Nicholson was appointed as Senior Independent Director of Just 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 Managing Agency Limited and Liberty Mutual Insurance Europe SE 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.

Committee and internal directorships

Chair of the Group Risk and Compliance Committee

Member of the Audit, Nomination and Market Disclosure Committees

Director of Just Retirement Limited, Partnership Life Assurance Company Limited, HUB Financial Solutions and HUB Pension Solutions Limited

Current other listed directorships

None

Board of Directors continued

NON-EXECUTIVE DIRECTORS

PAUL BISHOP,
Non-Executive Director

Appointed: 04 April 2016

Paul Bishop was appointed as a Non-Executive Director of Just 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). Paul is currently a Non-Executive Director of National House Building Council and the Police Mutual Assurance Society, and was recently appointed in March 2019 as a Non-Executive Director to Zurich Assurance Limited.

Committee and internal directorships

Chair of the Audit Committee

Member of the Nomination Committee and the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committee

Director of Just Retirement Money Limited, Partnership Home Loans Limited, Just Retirement Limited, and Partnership Life Assurance Company Limited

Current other listed directorships

None

IAN CORMACK,
Non-Executive Director

Appointed: 04 April 2016

Ian Cormack was appointed as a Non-Executive Director of Just 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 from 2005 to 2009, Aspen Insurance Holdings from 2002 to 2012, Qatar Financial Centre Authority from 2006 to 2012, Bloomsbury Publishing from 2011 to 2015, Xchanging from 2012 to 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, Ian previously served as Senior Independent Director of Phoenix Group Holdings Limited from 2009 to 2018.

Committee and internal directorships

Chair of the Remuneration Committee

Member of the Nomination Committee and Group Risk and Compliance Committee

Director of HUB Financial Solutions Limited, HUB Pension Solutions Limited, Just Retirement Money Limited, Partnership Home Loans Limited, Just Retirement Limited, and Partnership Life Assurance Company Limited

Current other listed directorships

Chairman of Maven Income & Growth VCT 4
Non-Executive Director of Hastings Group Holdings plc and Royal Bank of Scotland plc (including the businesses of National Westminster Bank plc, Ulster Bank Limited and NatWest Holdings Limited)

MICHAEL DEAKIN,
Non-Executive Director

Appointed: 30 April 2014

Michael Deakin was appointed as a Non-Executive Director of Just 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 26 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 November 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).

Committee and internal directorships

Chair of the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committee

Member of the Market Disclosure Committee, Nomination Committee and Remuneration Committee

Chair of Just Retirement Money Limited and Partnership Home Loans Limited, and Director of HUB Financial Solutions Limited, HUB Pension Solutions Limited, Just Retirement Limited, and Partnership Life Assurance Company Limited

Current other listed directorships

None

STEVE MELCHER,
Non-Executive Director

Appointed: 15 May 2015

Steve Melcher was appointed as a Non-Executive Director of Just Group plc in April 2016. He served as a 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.

Committee and internal directorships

Chair of HUB Financial Solutions and HUB Pension Solutions Limited

Member of the Audit Committee, Group Risk and Compliance Committee and the Remuneration Committee

Director of Just Retirement Money Limited, Partnership Home Loans Limited, Just Retirement Limited, and Partnership Life Assurance Company Limited

Current other listed directorships

None

CLARE SPOTTISWOODE,
Non-Executive Director

Appointed: 04 April 2016

Clare Spottiswoode was appointed as a Non-Executive Director of Just Group plc in April 2016. She served as a 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 one million policyholders, tasked with reattributing Aviva's inherited estate, and included time as Director General of Ofgas, the UK gas regulator. Clare previously served as Chairman of FlowGroup plc from 2011 to June 2017.

In addition to the Just Group, Clare is a Non-Executive Director of BW Offshore Limited, British Management Data Foundation, Ilika plc, Gas Strategies Group Limited and Gas Strategies Holdings Limited.

Committee and internal directorships

Member of the Audit Committee and Group Risk and Compliance Committee

Director of HUB Financial Solutions Limited, HUB Pension Solutions Limited, Just Retirement Limited, and Partnership Life Assurance Company Limited

Current other listed directorships

None

Corporate Governance Report

> *I am pleased to present the Group's Corporate Governance Report for the year to 31 December 2018*

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

Dear Shareholder,

On behalf of the Board I am pleased to present the 2018 Corporate Governance Report. We believe that good governance is the foundation of good business.

The Board focuses primarily upon strategy, policy, governance, regulation, the allocation of resources and monitors the Group's performance acting in accordance with the best interests of the shareholders as a whole.

In a year that has produced a significant amount of additional regulatory driven workload, I am assured by the contribution of my highly engaged Board. Each member has been able to support and challenge the executive team. The independent review conducted by PricewaterhouseCoopers LLP ("PwC") (see below) observed that the nature of discussion and participation by all Executive and Non-Executive Board members, as well as non-Board members present, was robust and comprehensive.

The Board decisions aim to link the Group's strategy with its governance and risk appetite, to the pursuit of sustainable profit growth over the longer term for the benefit of all stakeholders. We lead the development of a governance framework that promotes transparency, accountability and challenge as the fundamental underlying principles for the Board's entrepreneurial and prudent approach to developing Just's business.

The Group has continued to be deeply engaged with the PRA on regulatory matters throughout 2018, particularly around Solvency II and the matching adjustment (SS3/17) and subsequently equity release mortgages (CP13/18). The Board has also worked closely with management on matters of regulation and has conducted a large number of additional Board meetings during the year to discuss and address this business. Like others in the industry, we have put considerable effort into ensuring that we have effective dialogue with industry regulators to ensure our Group is understood. In 2019, I would hope to rebalance the agenda towards a clearer focus on strategy execution, business planning and performance monitoring.

During the year, the Board spent time reviewing each of the Group's lines of business, ensuring the coherence and robustness of the strategy and competitive position of each. Time was spent engaging on the overall Group strategy and business plan, and reviewing progress towards our longer-term customer, staff and financial goals. This process put us in a strong position to anticipate a range of CP13/18 outcomes and develop responses appropriate to each. Following resolution of the PRA's position on equity release mortgages we are confident in our ambition to invest to develop our existing markets, to positively disrupt markets where we believe we can deliver improved outcomes for customers, and to diversify our portfolio.

BOARD COMPOSITION AND SUCCESSION PLANNING

Succession planning at both the Board and senior management level has continued to be the primary focus of the Nomination Committee.

During the year, Tom Cross Brown retired from the Board before the Annual General Meeting and Simon Thomas left the business as Chief Financial Officer on 31 October 2018. I would like to record my thanks to both Tom and Simon for their valuable contribution to the Board during their tenure.

DIVERSITY

During the first half of the year the Company worked with the external search firm, Korn Ferry, which resulted in an active engagement with two excellent female candidates who were approached for appointment to the Group and Life Company Boards. A third was identified for appointment later in the year. All three indicated a willingness to seriously consider joining the Group.

However, during these discussions the extended period of uncertainty produced by the publication of the PRA's consultation paper CP13/18 created an environment which made it difficult to secure the services of any new Non-Executive Director during the year; a period of uncertainty which only ended on publication of the Policy Statement 31/18 on 10 December 2018. As a result, the Group has not been able to show progress in the last year against the Hampton-Alexander Review's recommendations for FTSE 350 companies to improve the representation of women in leadership positions by 2020. These conversations with candidates are continuing, but will not be satisfactorily resolved in time for year end reporting. Notwithstanding the delay to the process outlined above, the Group is making strenuous efforts to improve and sustain gender diversity in its senior leadership. Just remains committed to achieving the external targets and has set its own internal target of 33% women in senior leadership roles by 2023.

You can read more about my and the Committee's work in this area in the Nomination Committee Report on page 54.

A copy of the Board Diversity Policy can be found on page 57.

CULTURE

We want Just to be a great place to work, and engaged employees are crucial to delivering innovative products and services to our customers. During 2018 we've taken actions to drive our people and organisation strategy around three priorities – building our organisational culture, strengthening capabilities, and developing an engaging employee experience. We have good levels of employee engagement and have once again maintained our Best Companies to Work For accreditation as "One to Watch". This is particularly pleasing considering the uncertainty felt by colleagues in light of the PRA consultation. We have taken specific steps to continue to develop our culture to support a high performance organisation. Ensuring that we have the appropriate capabilities to deliver our business plan is a long-term strategic focus and over the year we have invested in leadership programmes for all of our senior leaders and people managers. Just is a business with strong values and underpinning all of our colleagues' behaviours and customer-focused activities is the principle that we do business the right way. We place high expectations on our colleagues to do the right thing and to consistently deliver our purpose of helping people achieve a better later life.

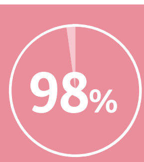
EVALUATION

During the year, the Board was subject to an independent review. I asked PwC to perform the review with a scope that included the Group Board, the Audit Committee, the JRL and PLACL Investment Committee, the Risk and Compliance Committee and the Group Executive Office Committee. The importance of having an effective Board to set the tone from the top and engage in practices to promote success of the new enterprise was stressed. The PwC review was conducted between May 2018 and July 2018 and concluded that the Board and the four "in-scope" Committees were effective. We have since worked hard to implement a number of its recommendations, and the actions for the year ahead are set out in the section on Board effectiveness on page 52 of this report.

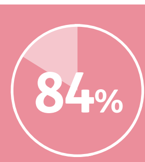
Chris Gibson-Smith
Chairman
14 March 2019

2018 AGM

21
Resolutions passed



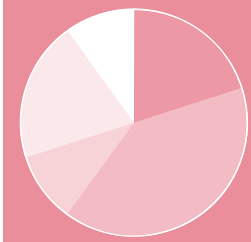
Votes cast "for" each resolution[1]



Issued share capital represented[2]

1. Mean average 2. The average issued share capital voted across the 21 resolutions.

BOARD ACTIVITIES DURING 2018 AND ALLOCATION OF AGENDA TIME



- **20%** Group strategy and business plans.
- **20%** Financial reporting and controls.
- **40%** Regulatory interaction, risk oversight and management.
- **10%** Corporate Governance, people, culture, diversity, succession planning and Board effectiveness.
- **10%** Capital structure.

GROUP STRATEGY AND BUSINESS PLANS

- Held annual Board strategy meeting in October 2018 to review and agree the Group's strategy
- Received presentations in respect of strategy execution and performance against the Group plan
- Reviewed technological capabilities including feedback from a cyber security review completed by Deloitte and on-going monitoring
- Increased the amount of time spent reviewing strategy and implementation, including strategy for the retail business and technology strategy
- Reviewed a series of presentations on deep dives into the business lines
- On-going strategy discussions regarding CP13/18 and oversight and approval of the Company response

OVERSIGHT OF RISK AND RISK MANAGEMENT

- Material interaction with regulators
- Received Group Chief Risk Officer reports and assessed the Group's significant risks, regulatory issues and emerging risks
- Approved the risk policies and risk framework for managing risk across the Group
- Reviewed the Group's capital and liquidity position

FINANCIAL REPORTING AND CONTROLS, CAPITAL STRUCTURE AND DIVIDEND POLICY

- Reviewed the Group's financial performance, financial results and dividend
- Assessed the Group's capital and liquidity requirements including Solvency II position
- Reviewed and challenged reports provided by its committees on key matters of financial reporting

STRUCTURE AND CAPITAL

- Continuing oversight of external and inter-Group financing, in February 2018 the Group issued a £230m BBB rated Solvency II Tier 3 qualifying instrument at par with a maturity date of February 2025 and coupon of 3.5%, which has further reduced the Group's cost of capital.
- Continued examination of capital matters relating to CP13/18

CORPORATE GOVERNANCE

- Received regular updates from committees, management and external advisers on legal and regulatory developments
- Reviewed progress on data governance and cyber security
- Reviewed HUB Board matters
- Reviewed JRML/PHLL Board matters
- Board Intelligence project which improved the quality, content and format of papers
- Reviewed fees and agreed no uplift in Chairman or NEDs' fees for full year 2018
- Director training schedule enhanced, including "unconscious bias" training

PEOPLE, CULTURE, SUCCESSION PLANNING AND BOARD EFFECTIVENESS

- Received results of employee engagement survey
- Significant focus was given to Board and executive succession planning
- Undertook externally facilitated evaluation of the Board's effectiveness
- Discussed work on diversity and inclusion, including increased training for all staff
- Approved the Company signing up to the Women in Finance Charter
- Oversaw a high potential deep dive amongst female staff to facilitate achievement of increased women in senior management positions

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.

Corporate Governance Report continued

COMPLIANCE STATEMENT

During the year, the Company has applied the main principles of the UK Corporate Governance Code (the "Code"). 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.

GOVERNANCE IN OPERATION

BOARD LEADERSHIP

The Group Board is responsible for the proper management of Just's Group strategy and direction, including its risk appetite. It also oversees the activities and direction of Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL") and the Group's other operating subsidiaries. There are nine Board members: the Chairman (independent on appointment), two Executive and six Non-Executive Directors (all of whom are considered independent). Keith Nicholson is the Senior Independent Non-Executive Director.

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

Chris Gibson-Smith, Chairman
Tom Cross Brown, Deputy Chairman (retired 17 May 2018)
Rodney Cook, Group Chief Executive Officer
David Richardson, Group Deputy Chief Executive Officer, Interim Group Chief Financial Officer, and Managing Director, UK Corporate Business
Simon Thomas, Group Chief Financial Officer (resigned 31 October 2018)
Paul Bishop, Non-Executive Director
Ian Cormack, Non-Executive Director
Michael Deakin, Non-Executive Director
Steve Melcher, Non-Executive Director
Keith Nicholson, Senior Independent Director
Clare Spottiswoode, Non-Executive Director

BOARD COMMITTEES

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

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.

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 May 2018, determines the remuneration benefits, pension rights and compensation payments for all Solvency II staff, the Chairman, the Executive Directors of the Company, the Group Chief Actuary, the Group Company Secretary, the members of the Executive Committee and any other employees of the Group for whom 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.

NOMINATION COMMITTEE

The Nomination Committee assists the Board in determining the composition and make-up of the Board. It 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 Committee advises the Board on appointments, retirements and resignations from the Board and its Committees and reviews succession planning and talent development for the Board and senior management. It will normally meet not less than twice a year and is chaired by Chris Gibson-Smith. The Nomination Committee actively supports the Board on the principle of improving gender balance in the boardroom. Further information about the Board's policy on diversity is given on page 57.

The main Board Committees are comprised of Independent 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	Group Risk and Compliance	Investment ("JRL" and "PLACL")
Chris Gibson-Smith	By invitation	Member	Chairman	Member	By invitation
Rodney Cook	By invitation			By invitation	By invitation
David Richardson	By invitation			By invitation	By invitation
Paul Bishop	Chairman		Member	By invitation	Member
Ian Cormack	By invitation	Chairman	Member	Member	By invitation
Michael Deakin	By invitation	Member	Member	By invitation	Chairman
Steve Melcher	Member	Member		Member	By invitation
Keith Nicholson	Member		Member	Chairman	By invitation
Clare Spottiswoode	Member			Member	By invitation

GROUP RISK AND COMPLIANCE COMMITTEE

The Group 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 and the Solvency II internal model. The Committee will normally meet not less than four times a year and is chaired by Keith Nicholson.

INVESTMENT COMMITTEES

The Investment Committees of the Boards of JRL and PLACL assist the Boards in achieving their investment objectives. The Investment Committees are 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 Committees will normally meet not less than four times a year and are chaired by Michael Deakin. Mr Nick Poyntz-Wright, an Independent Non-Executive Director member of the JRL and PLACL Boards, is also a member of the Investment Committee.

OTHER COMMITTEES

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 Just's business and monitoring compliance with the Group's MAR disclosure controls and procedures. Its members comprise Chris Gibson-Smith (Chair), Rodney Cook, Keith Nicholson, Michael Deakin and David Richardson.

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.

The Group Chief Executive Officer operates a Group Executive Committee to support him in the performance of his duties, including the development and implementation of strategy, the monitoring of operating and financial performance, the assessment of control and risk, the supervision and prioritisation of resources, the monitoring of competitive forces and the day-to-day operational management of the Group. The Committee meets bi-weekly to discuss and approve operational matters and comprises of Rodney Cook and his executive team.

Each 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 the Committees are set out on pages 54 to 83. The terms of reference for the Audit, Group Risk and Compliance, Remuneration and Nomination Committees are available on the Group's website at www.justgroupplc.co.uk.

ROLES AND RESPONSIBILITIES

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 and the regulator.

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;
- leading the communication programme with shareholders and ensuring the appropriate and timely disclosure of information to the stock market; and
- leading and ensuring effective engagement with the regulator.

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. The Senior Independent Director will also meet annually with the Non-Executive Directors without the Chairman being present to approve the Chairman's performance, and address any other matters which the Directors might wish to raise. The Senior Independent Director conveys the outcome of their discussions to the Chairman. The Non-Executive Directors of the Board will meet at least twice per year without the Executive Directors being present.

NON-EXECUTIVE DIRECTORS

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.

Corporate Governance Report continued

BOARD EFFECTIVENESS

BOARD COMPOSITION

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. More than half of its members (including the Chairman) comprise 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. In accordance with the UK Corporate Governance Code, the Board believes that it has the appropriate balance of skills, expertise, independence and knowledge to enable it and its Committees to discharge their duties and responsibilities effectively.

CONFLICTS OF INTEREST

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.

DEVELOPMENT

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.

INFORMATION AND SUPPORT

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 role of the Group Company Secretary is to support the Chairman and the Board, which includes bringing all governance matters to the attention of the Board and delivering a programme of Board and Committee meetings, training and senior management presentations to ensure that each Director has the information required to discharge their statutory duties.

BOARD EVALUATION

The Board carries out an evaluation of its performance and that of its Committees every year. The 2017 externally facilitated Board evaluation confirmed that the Board continues to function effectively, that it remains well balanced, setting the right tone from the top, with a strong mix of relevant experience and skills, and promoting a collaborative yet challenging culture within the Group. The relationship between the Board and management was highly rated. Given that the 2018 evaluation took place earlier in the year than the preceding 2017 evaluation, any outstanding actions arising from 2017 were rolled into the action plan for 2018.

This year, the Board's formal evaluation process was externally facilitated by the professional services corporate advisory firm PwC.

The first stage of the review involved PwC engaging with the Chairman, the Company Secretary and Director of Internal Audit, to set the context for the evaluation. This year's approach adopted as a key element a pre-interview and self-reviewing questionnaire, the result of which informed one-on-one interviews with each Director conducted by PwC, aimed at gaining a deeper insight into Directors' responses. PwC also observed the Board and the four in-scope committees (the Audit Committee, the Risk and Compliance Committee and the JRL & PLACL Investment Committees).

Overall, the evaluation concluded that the Board remained effective, was functioning well, with open and challenging debate. Each of the Committees was considered to have operated effectively during the year.

COMMITMENT

The Board held eight meetings during the period from 1 January 2018 to 31 December 2018. The table below shows Directors' attendance at Board and Committee meetings for the period.

	Board	Audit[5]	Remuneration[3]	Nomination[4]	Group Risk and Compliance	JRL & PLACL Investment
Chris Gibson-Smith[3]	8/8	–	6/7	4/4	4/4	–
Tom Cross Brown[1]	3/3	–	–	3/3	2/2	2/2
Rodney Cook	8/8	–	–	–	–	–
Paul Bishop	8/8	9/9	–	4/4	–	4/4
Ian Cormack	8/8	–	7/7	4/4	4/4	–
Michael Deakin	8/8	–	7/7	4/4	–	4/4
Steve Melcher	8/8	9/9	7/7	–	4/4	–
Keith Nicholson[6]	7/8	9/9	–	4/4	4/4	–
David Richardson	8/8	–	–	–	–	–
Clare Spottiswoode[7]	7/8	8/9	–	–	4/4	–
Simon Thomas[2]	6/7	–	–	–	–	–

1 Tom Cross Brown retired from Just Group immediately before the AGM on 17 May 2018.
2 Simon Thomas resigned from the Board on 31 October 2018. Simon was unable to attend one Group Board meeting on 17 October due to a prior commitment.
3 One additional Remuneration Committee meeting was held to approve discrete items of business between 1 January and 31 December 2018. Chris Gibson-Smith was unable to attend the late scheduled additional meeting due to prior commitments.
4 One additional Nomination Committee meeting was held to approve discrete items of business between 1 January and 31 December 2018.
5 Three additional Audit Committee meetings were held to approve discrete items of business between 1 January and 31 December 2018. Clare Spottiswoode was unable to attend one of these additional late scheduled meetings.
6 Keith Nicholson was unable to attend one Group Board meeting on 21 June 2018 due to illness.
7 Clare Spottiswoode was unable to attend one Group Board meeting on 28 November due to a last minute and urgent conflict.

As in previous years, a set of action points was compiled from the output of the evaluation to ensure that its findings are implemented into the Board's activities. This was supervised by the Chairman and reviewed throughout the year.

The evaluation highlighted a number of Board priorities for 2018, including:

(i) Board and Committee composition: The Just Group Board and the two Life companies operate a nested meeting arrangement which is an efficient and effective process. The evaluation identified a need to consider the pros and cons of having such a wide selection of attendees present throughout meetings, and to clarify what the Board's expectations are regarding the contribution of such attendees.

We have reviewed and assessed the current number of attendees at the nested Board meetings and we believe this to be appropriate to meet the current demands of the business. Overall we agree with the recommendation raised and therefore will review this again at the beginning of 2019.

(ii) Diversity Policy: In conjunction with the initiatives and practices to promote diversity on the Group Board, a standalone and more comprehensive Board Diversity Policy that conforms to regulatory expectations, is reflective of good practice and subject to regular review should be developed and adopted by the Board.

A standalone and more comprehensive diversity policy that conforms to regulatory expectations has now been approved and was adopted by the Board at the end of 2018.

A copy of the Board Diversity Policy can be found on page 57.

(iii) Board and Committee agendas: Bearing in mind the importance of regulatory matters, the Board should consider whether there are opportunities to rebalance the proportion of its time spent on regulatory matters, in favour of broader strategy execution and business performance monitoring.

The rebalancing of the Board's activities will be reviewed in 2019, as we believe these are currently appropriate for the environment Just is operating under.

(iv) Succession planning: The evaluation recognised the work of the Nomination Committee, but recommended finalising the Director succession planning and documenting for Board approval the process by which this would be undertaken, so that the full Board had visibility of the plans.

Director succession planning will be completed and documented for Board approval in Q1 2019.

(v) On more practical matters, there was a continuing need to improve Board processes, with the refinement of Board packs, and the promotion of consistency in Board presentations. It was also felt that devoting more time to on-going training would be beneficial.

Board packs: Just Group started working with Board Intelligence in spring 2018 to improve the quality and content of the Board papers. To date, circa 200 staff have been through a report writing training session with additional paper coaching and feedback sessions taking place as required. The Board is pleased with the progress made to date. The size of the average Board and Committee pack has reduced and meetings are more efficient as a result.

Training: The following developments are in progress or have been implemented:
(a) training plans for each NED will be developed to identify training already undertaken but also to plan out future training, evidencing alignment to current and future regulatory and market events. The Board has recently benefited from two formal sessions developed internally and delivered to the Directors on the Just Internal Model and a further update session on Directors' duties and the changes introduced by the 2018 Corporate Governance Code;
(b) the corporate computer based training ("CBT") programme has been rolled out to each member of the Board, starting with unconscious bias training, and monitoring will be undertaken to ensure that this is completed; and
(c) the training and competency framework for Board members will be developed further and signed off. Controls will be put in place to ensure all Board members achieve the standards or expectations set out in the framework.

The individual assessment of Directors concluded that all continued to contribute effectively, devoting adequate time to their duties and being engaged and proactive in debate at all meetings.

RE-ELECTION OF DIRECTORS
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 2019 AGM. The shareholders may, by special resolution, remove any Director before the expiration of that Director's period of office.

SHAREHOLDER RELATIONS

INVESTOR RELATIONS ACTIVITY 2018
The Group maintains an on-going dialogue with its major institutional shareholders through a scheduled programme of meetings which are generally undertaken by the Chairman, CEO, CFO, Deputy CEO and members of the Investor Relations team. Just Group attended four investor conferences and seminars during 2018, and held investor roadshows in January, March and September. Ad hoc meetings are held throughout the year with both existing and prospective shareholders.

The Investor Relations function also provides the Board with regular analysis of shareholder movements, market and peer activity, in addition to share price performance. Analysts' and brokers' reports are made available to all Directors, while the Board receives detailed feedback from our corporate brokers following investor meetings.

The ordinary shares are covered by ten analysts currently. The Investor Relations team also maintains an open dialogue with non-covering analysts, banks, brokers and other market participants.

Fitch have maintained their A/A+ credit ratings with stable outlook for members of the Group. During 2018, we had an active programme of engagement with debt investors including a dedicated debt investor roadshow. In February 2018, the Group issued a £230m BBB rated Solvency II Tier 3 qualifying instrument with a maturity date of February 2025 and coupon of 3.5%, which has reduced the Group's cost of capital.

During 2018 Just Group plc's shares fell by 46% to 92p, compared to the FTSE 350 Life Insurance index which fell by 26%. 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 150.

SHAREHOLDER MEETINGS
General Meeting held on 16 January 2019
I am pleased to report that the Board received strong support from its shareholders, approving authorities for the two resolutions to enable it to issue Restricted Tier 1 debt which are convertible into ordinary shares of the Company upon the occurrence of trigger events. Capital sourced in this way can contribute to the Group's Solvency II capital requirements and gives the Group greater flexibility in the management of its capital.

Nomination Committee Report

I am pleased to present the Nomination Committee Report covering our work in 2018

STATEMENT FROM THE NOMINATION COMMITTEE CHAIRMAN

The report sets out the activities carried out during the year aimed at executive development, succession planning and the development of the Board's skills and diversity.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The Committee follows an annual rolling forward agenda with standing items considered at each meeting, in addition to any matters arising and topical business or financial items on which the Committee has decided to focus on.

In 2018, the Committee:

- actively engaged with the process for the recruitment of two additional female NEDs across the Group and Life companies, in seeking to fulfil its stated diversity goals;
- received and approved an assessment and development process from Korn Ferry for executives reporting to the CEO and conducted an executive team realignment exercise;
- reviewed the CEO profile;
- reviewed the Board's skills and produced a Board skills map, which sets out the Board's succession plans;
- conducted a search process for the replacement of the CFO;
- analysed the effectiveness review of the Board, its Committees, the Chairman and individual Directors, which was conducted through an externally facilitated process;
- kept under review the independence of Non-Executive Directors, considering the judgement, thinking and constructive challenge that they demonstrate in Board and Committee discussions;
- recommended to the Board that each of the Directors be proposed for election by shareholders at the Annual General Meeting on 16 May 2019. 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, progressing the diversity and inclusion programme and talent development.

STRENGTHENING THE LEADERSHIP PIPELINE, EXECUTIVE DEVELOPMENT PROGRAMME AND CEO SUCCESSION PLANNING

A focus on longer-term succession planning has meant strengthening and developing the executive and leadership pipeline within the organisation. This means embedding robust talent management processes to help identify and accelerate the development of emerging leaders at all levels of the organisation. The Enterprise Leadership programme, being run in partnership with Saville and Holdsworth (occupational psychologists), is a good example of how we are investing in benchmarking and developing our senior leadership population at one level below the Executive Committee.

Last year we reported how the Nomination Committee had taken account of the CEO's succession plan for his executive team and his vision for the future structure and evolution of the management team. This year the Committee reviewed the succession plans and contingency arrangements that were in place and deeply examined the bench strength of the executive team.

We have invested in developing members of the Executive Committee. Earlier this year, members took part in a leadership assessment process with Korn Ferry. This provided a robust evaluation of how each individual performed against an Executive "success profile" and external benchmarking. In addition, a subgroup of executive members was assessed against the success profile for the next CEO of Just. This provided insight into the readiness of these individuals to step up into this role.

Just has put in place a structured development programme for all members of the executive team. The Nomination Committee also received feedback from Korn Ferry on the executive development programme during the year. As such, we have an objective and robust view of the strengths and development gaps for our executives to inform succession plans against key competencies, experiences, traits and drivers. Some executives have business coaches and all have attended a number of professional development events both in-house and externally.

ROLES AND RESPONSIBILITIES AND COMMITTEE MEMBERSHIP AND MEETINGS

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 Committee meets not less than twice a year and the CEO and the Group Human Resources Director are normally invited to attend meetings. The Group Company Secretary is Secretary to the Committee. The Committee's duties are explained in more detail in its terms of reference, which are available on the Group's website at www.justgroupplc.co.uk. The biographies of the members are set out on pages 44 to 47.

2018 scheduled Committee meetings	Attendance (eligibility)
Committee members	
Chris Gibson-Smith (Chairman)	3(3)
Paul Bishop	3(3)
Ian Cormack	3(3)
Michael Deakin	3(3)
Keith Nicholson	3(3)

Tom Cross Brown retired at the 2018 AGM.

The Committee also held two additional meetings during the year to discuss the resignation of the CFO, both of which had full attendance.

In addition to the members of the Committee, members of the executive team and senior management team were invited to attend the meetings and submit reports in their areas of responsibility. Other Non-Executive Directors were also invited to attend and contributed to the challenge and debate.

Nomination Committee Report continued

BOARD DIVERSITY

In addition, the Nomination Committee has identified the competencies that are likely to become increasingly important for Just Group Board members in the future. This work underpinned the search for Non-Executive Directors who could provide complementary skills to strengthen the overall balance of Board competencies.

Taken together, these identified skills and competencies provided a success profile for a Just Board member. This profile was also used as the basis for evaluating the experience and capabilities of our current NEDs to identify gaps.

Analysis of the skillsets of the current Board members, which had been mapped against the current strategy and business plan, confirmed that the current Non-Executive Directors have significant experience in financial services and insurance, listed companies, financial service regulation and risk management; audit, finance and actuarial skills were also well represented. However, it was recognised that there was a need to strengthen digital, IT and cyber capabilities, particularly in technology transformation, and also customer and distribution capabilities, with a need for deeper functional expertise in customer insight, operations and managing distribution. The Committee endorsed the analysis, identifying digital and customer and distribution as areas to strengthen. The Committee further discussed opportunities, desirability and practicality of bringing new digital talent onto the Group's main and subsidiary Board and Committee structures (particularly in the HUB group of companies).

The current Non-Executive Director search aimed to increase female representation within the Non-Executive Director population and a review of current Director skillsets was aimed to support the discussions around potential appointments.

I have set out in my opening governance statement an explanation for why the extended period of uncertainty created by the publication of the PRA's consultation paper CP13/18 Solvency II: Equity release mortgages on 2 July 2018 created an environment which made it difficult to secure the services of any new Non-Executive Directors during the year. Whilst it remains the case that women are underrepresented at senior levels generally, we are taking steps to address this. A diversity and inclusion programme, supported by the Board, is addressing these challenges. Indeed, the Deputy CEO has been designated as the executive sponsor and diversity champion for the Group. Within this framework we are considering other measures of cultural diversity, which is the focus of the Parker Report, such as educational background and wider experience.

When considering Board appointments, the Board follows formal and transparent procedures to ensure that appointments of Directors are made having regard to a broad set of qualities and competences to fulfil the requirements of the role and to promote diversity among Board members. The Committee has discussed at some length the need for new strategies and behaviours not only among the Board but across all parts of the business, to improve diversity.

The Committee is sponsoring a number of initiatives to identify key female and black and minority ethnic ("BME") talent below executive level. A leadership programme was launched in Q2 and a talent programme was launched in Q3. The Committee has signed up to the Women in Finance Charter to demonstrate that commitment both internally and externally. The Group will also be mindful of findings of the BME talent initiative led by Department for Business, Energy & Industrial Strategy in its Diversity and Inclusion programme strategy.

APPOINTMENTS POLICY AND PROCESS

The Committee previously amended its appointments policy and process to promote greater diversity in the composition of the Board and improve in particular the gender balance. It has put in place a diversity policy which best supports the business and promotes the success of the Company. The current recruitment process begins 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 who 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. Korn Ferry has been retained during the current reporting period. It has also been retained to facilitate the executive development programme.

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.

Shortlisted 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 for appointment.

On behalf of the Nomination Committee

Chris Gibson-Smith

Chris Gibson-Smith
Chairman, Nomination Committee
14 March 2019

BOARD DIVERSITY POLICY

PURPOSE
This policy sets out the approach to diversity in respect of the Board of Directors of Just Group plc. The policy is intended to assist the Board, through the work of the Nomination Committee, in creating and maintaining optimum Board and Committee composition.

The broad principles of diversity contained in this policy apply to all employees of Just Group.

POLICY STATEMENT
The Board has pledged to build a culture at Just that has diversity and inclusion at its core. We are committed to hiring and developing diverse talent at all levels of the organisation.

POLICY OBJECTIVES
We have registered Just's support for "Inclusive Behaviours in Insurance" which is about demonstrating our commitment to a culture where inclusive behaviours are the norm and everyone is supportive of diversity. We have also signed up to the HM Treasury Women in Finance Charter – our "33 by 23" target reflects our pledge that at least 33% of our senior leaders are female by December 2023.

In line with this commitment, we recognise and embrace the benefits of a diverse Board across all aspects of diversity, including gender, race, sexuality, skills, knowledge, experience, education, age, personality and work style.

The Nomination Committee regularly reviews the Board composition and evaluates candidates for Board membership based on merit against clear and objective criteria. It focuses on ensuring that successful candidates add to the diversity of the Board, bringing skills and experience which are complementary to those already available to the Board through its existing membership. In considering suitable external candidates, the Committee is committed to only using service firms that have adopted the voluntary Code of Conduct addressing gender diversity and best practice in search assignments.

The Committee will agree on an annual basis the relevant measures for achieving diversity on the Board. It will report on the process it has used to make Board appointments. This will include a review of progress against agreed diversity measures and targets. The Committee will also review this policy on an annual basis and recommend revisions to the Board as required.

The policy has the full support of the Chairman and the Board of Directors.

MONITORING AND REPORTING
This policy and progress against its objectives will be reviewed annually. The Board is responsible for the implementation of this policy and for monitoring progress towards achievements of its objectives.

Audit Committee Report

As Chairman of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2018

STATEMENT FROM THE AUDIT COMMITTEE CHAIRMAN

IN SUMMARY

The report sets out the activities carried out during the year aimed at ensuring the integrity of the financial reporting, accounting treatment and judgements proposed by management and at providing appropriate monitoring and challenge to the effectiveness of the Group's internal control environment.

Having conducted a thorough review of the significant financial judgements and financial statement assumptions made in the preparation of the Annual Report and Accounts, and of the Annual Report and Accounts themselves, the Committee is satisfied that the judgements and assumptions are appropriate and that the Annual Report and Accounts are fair, balanced and understandable.

The Committee also oversaw the preparation and review of the Solvency and Financial Condition Report ("SFCR") as at 31 December 2017, the Regular Supervisory Reports and the Quantitative Reporting Templates for the PRA submission in June 2018. It also continued to provide oversight of the preparatory work for the implementation of the new insurance accounting standard IFRS 17.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The Committee follows an annual rolling forward agenda with standing items considered at each meeting in addition to any matters arising and topical business or financial items which the Committee has decided to focus on.

FINANCIAL REPORTING

In 2018 and to date in 2019, the Committee:

- reviewed the quality and acceptability of accounting policies and practices;
- reviewed the appropriateness and clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- reviewed material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- reviewed accounting judgements in relation to the new accounting standards IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", IFRS 16 "Leases" and IFRS 17 "Insurance Contracts";
- reviewed the assumptions critical to assessing the value of assets and liabilities, in particular insurance liabilities and lifetime mortgages;
- reviewed documentation prepared in support of the going concern basis and longer-term viability assessment with considerations made on the potential impact of PS31/18 "Solvency II: Equity release mortgages" and Brexit;
- reviewed the 31 December 2018 Group Annual Report and Accounts and the half-year statements to 30 June 2018; and
- assessed 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 Group's performance, business model and strategy and concluded that they are.

To assist with the review, the Committee considers reports from the Chief Financial Officer and the Chief Actuary, and it reviews reports from the external auditor on the outcomes of their half-year review and year-end audit. The Committee encourages the external auditor to display the necessary professional scepticism its role requires.

The key areas of judgement considered by the Committee in relation to the 2018 accounts, and how these were addressed, related to:

The discount 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. The return on lifetime mortgage assets is adjusted to allow for the risks associated with these assets – namely, the potential shortfall resulting from the no-negative equity guarantee ("NNEG"). The Group calculates the shortfall in respect of the NNEG using a variant of the Black-Scholes option pricing model. Inputs required (e.g. current house prices, future house price growth and house price volatility) are derived from a combination of available market data and management judgements.

Longevity assumptions
The length of time the Group's Retirement Income customers and Lifetime Mortgage customers will live, and therefore the projected cash flows for Retirement Income and Lifetime Mortgage assets, are key assumptions when valuing the Group's insurance liabilities and lifetime mortgages. Longevity experience is a key area of focus for the Board and the Committee, and 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 as well as the output of industry studies. During the year the Company completed the integration of the IP from the Just Retirement and Partnership legacy businesses and conducted a comprehensive review of Retirement Income customer longevity assumptions, resulting in a number of changes including aligning rates of improvement to a modified version of CMI 2017. Throughout this process the Committee received detailed reports setting out the work done, enabling the Committee to review, and to challenge as appropriate, the recommended updates to the longevity assumptions. Changes to the longevity assumptions are also reviewed by the external auditor as part of their audit.

The property assumptions used to value the Group's Lifetime Mortgages
The value of the Group's Lifetime Mortgages are reliant on a range of assumptions, of which the key assumptions are future house price growth and house price volatility. These assumptions determine the expected shortfall on redemption in respect of the NNEG which is given to all lifetime mortgage customers.

During the year the Company reviewed both these key assumptions and provided detailed analysis to the Committee setting out the rationale and impact of the changes being proposed. This included consideration of the potential impact of the UK's withdrawal from the European Union on UK property prices. The Committee reviewed, and challenged as appropriate, the detailed analysis and the recommended updates to future house price growth and house price volatility. Changes to lifetime mortgage valuation assumptions are also reviewed by the external auditor as part of their audit.

Going concern
The publication of CP13/18 "Solvency II: Equity release mortgages" (the "CP") by the PRA in July 2018 introduced a significant amount of uncertainty in relation to the Solvency II treatment of the Group's Lifetime Mortgage assets being held to back Retirement Income liabilities. The CP set out a number of parameters relating to the calculation of the matching adjustment including volatility and deferment rate, with implementation expected for the December 2018 year end. The three month consultation period for the CP was still open at the time of publishing the Group's interim results for 2018 on 6 September 2018. When carrying out the assessment of going concern in relation to the interim results for 2018, the Committee considered the impact of the CP, and concluded that although the going concern basis of preparation was appropriate, the potential outcome of the CP, together with any actions that the PRA might take, represented a material uncertainty.

In December 2018 the PRA published PS31/18 "Solvency II: Equity release mortgages" (the "PS") setting out its conclusions, including a number of key changes from the original CP which are material to the Group, such as the deferral of the implementation date to 31 December 2019, confirmation that transitional measures for technical provisions

ROLE AND RESPONSIBILITIES AND COMMITTEE MEMBERSHIP AND MEETINGS

The primary role of the Audit Committee is to provide effective governance and assurance over the Group's financial reporting, the audit processes, and to monitor the effectiveness of the Group's systems of internal controls and related compliance activities.

The Audit Committee operates separately from, but alongside, the Group Risk and Compliance Committee with close cooperation between the Chairs of these Committees. This ensures that audit work is focused on higher risk areas and that the results of internal and external audit work can be used to inform the work of the Group Risk and Compliance Committee. The terms of reference for the Committee were reviewed and aligned with those of the Risk and Compliance Committee and better reflect the interaction of both Committees in relation to matters related to IFRS and Solvency II.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee members bring a wide range of financial and commercial expertise necessary to fulfil the Committee's duties and include appropriate life insurance accounting expertise. The Board is satisfied that the Committee Chairman has recent and relevant financial experience as required by the UK Corporate Governance Code (the "Code"). As a whole the Committee has competence relevant to the sector in which the Group operates.

The biographies of the members are set out on pages 44 to 47.

2018 scheduled Committee meetings	Attendance (eligibility)
Committee members	
Paul Bishop (Chairman)	7(7)
Steve Melcher	7(7)
Keith Nicholson	7(7)
Clare Spottiswoode	6(7)

The Committee also held two unscheduled additional meetings and three Working Group meetings during the year, all of which had full attendance.

In addition to the members of the Committee, members of the executive team and senior management team were invited and attended the meetings to submit reports in their areas of responsibility. Other Non-Executive Directors were also invited to attend and contributed to the challenge and debate. The external auditor, KPMG LLP, attended all meetings. The Committee set aside time at the beginning of each meeting to meet without management. The Chairman also met separately with the external auditor and the Director of Group Internal Audit without other executive management being present.

Audit Committee Report continued

for pre-2016 business will be recognised over the remaining transitional period to 31 December 2031, and a requirement that firms must meet an effective value test using a volatility rate of 13% and a deferment rate of 0% at the end of 2019 and that the deferment rate should increase to 1% by year end 2021. The PS also noted a number of areas for further consideration, in particular the calculation of the SCR.

As part of the assessment of going concern and longer-term viability for December 2018, the Committee considered the impact of the PS. The PS has significantly reduced the uncertainty created by the CP and provides clarity on the calculation of the matching adjustment for future periods, which has enabled the Group to model the impact of the PS in its latest capital projections, business plan and liquidity forecasts. There is still some uncertainty as regards the matters which are still under consideration, but the Board considers that the material uncertainty in relation to going concern which was disclosed in the Group's interim results for 2018 does not exist at the 2018 year end.

The Committee also considered other risks, including a disruptive no-deal Brexit, in its combined stress scenarios for the going concern assessment and the risks associated with capital raising which form part of the Group's business plan.

Just Group plc's investment in subsidiaries

In addition to considering matters relating to the consolidated financial statements of the Group, the Committee also considers matters relating to the individual Company financial statements of Just Group plc and its subsidiaries.

Just Group plc's investment in subsidiary undertakings is a significant asset and underpins the net equity reported by Just Group plc in its individual Parent Company financial statements. The carrying value of this asset is assessed through consideration of the financial position and performance of the underlying subsidiary companies, including their net asset position and planned trading performance. The Committee reviews these assessments, the recoverability of the balances reported and appropriateness of accounting policies, as part of its work on financial reporting.

Regulatory reporting oversight

The Committee receives regular updates on the Group's regulatory reporting matters including the oversight and preparation of the Group's annual Solvency and Financial Condition Report, and Quantitative Reporting Templates. The Committee also receives regular updates relating to the on-going publication by the Prudential Regulation Authority of supervisory statements that set out its expectations for certain aspects of prudential regulation. The Audit Committee also has responsibility for overseeing the recalculation of TMTP. The implementation of Solvency II in practice has continued to evolve and is expected to do so in the future. During 2018 and to date in 2019 the Committee has spent a significant amount of time considering the impact of SS3/17, CP13/18 and PS31/18. The emergence of new supervisory statements could impact certain key non-GAAP measures disclosed in the Annual Report and Accounts and is closely monitored by the Committee to ensure disclosures are appropriate.

New accounting standards

The Committee reviewed the new accounting standard IFRS 9 and approved the approach proposed by management with regard to its application, which will be deferred to the accounting period commencing on 1 January 2022 with the intention to align it with the expected implementation date of the accounting standard IFRS 17. This deferral is allowed because the Group's business activity is predominantly insurance related.

The Committee also reviewed the impact of adopting the new accounting standard IFRS 15 and concluded that this would not have a material impact. The Committee also considered the disclosure changes that will affect the Group and subsidiary accounts.

With regard to the new accounting standard IFRS 16, which will be effective from January 2019, the Committee reviewed the high level assessment conducted by management on the impact of this standard on the Group and concluded that its adoption would not be significant for the Group. However, the Committee considered the disclosures required in the 2018 Annual Report and Accounts to explain the impact as recommended by the FRC.

EXTERNAL AUDIT

The Committee is responsible for recommending to the Board the appointment, remuneration and terms of engagement letter of the external auditor. It also ensures that appropriate audit plans are in place and that an effective relationship is maintained with the auditor with regular reports received from them and by holding meetings with the audit engagement partner without the presence of management. In 2018, the Committee:

- reviewed the 2018 year-end audit work plan including the scope of the audit and the materiality levels adopted by the external auditor;
- reviewed the Group's policy on the use of the external auditor for non-audit work and concluded that this was in compliance with the policy. It also evaluated the independence and objectivity of the external auditor having regard to: a) the report from the external auditor describing the general procedures to safeguard independence and objectivity; b) the level and extent of non-audit services provided by the external auditor; and c) independence and objectivity considerations relating to other matters;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2018 Accounts; and
- reviewed recommendations made by the external auditor in their management letters and on the adequacy of management's response.

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee receives a detailed audit plan from KPMG, identifying its assessment of these key risks. For the 2018 reporting period the primary risks identified were in relation to the valuation of insurance liabilities, the valuation of loans secured by residential mortgages, the valuation of hard-to-value investments, reinsurance assets and deposits received from reinsurers, going concern and the recoverability of Just Group plc's investment in its subsidiaries. The Committee challenged the work done by the auditor to test management's assumptions and estimates around these areas. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting we receive from KPMG at the interim and year end. In addition, the Committee seeks feedback from management on the effectiveness of the audit process. For the 2018 reporting period, management was 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 Committee concurred with the view of management.

Independence and non-audit services

The Group has a policy in relation to the provision of non-audit services by our external auditor. All non-audit services provided by KPMG are subject to review and approval by the Committee. The policy ensures that the Group benefits from the cumulative knowledge and experience of its auditor while ensuring at the same time that the auditor maintains the same degree of objectivity and independence. During the year, the value of non-audit services provided by KPMG amounted to £2.03m (2017: £1.0m), comprising:

	£m
Audit-related assurance services – audit of regulatory returns	0.65
Audit-related assurance services – other services	0.22
Transaction related services	1.16
	2.03

The ratio of non-audit services to audit services was 2.01:1. This amount is considerably higher than the previous year, reflecting an exceptional level of corporate activity in the capital markets where KPMG provided reporting accountant and other services relating primarily to the presentation and validation of historic financial information. Significant non-audit services were also provided in relation to the audit of the Group's Solvency II regulatory returns. Both of these are considered to be closely related to the work performed by KPMG as auditor of the Group.

As part of the evaluation of the objectivity and independence of the external audit, the Committee has received and reviewed written confirmation that KPMG has performed their own assessment of independence within the meaning of all UK regulatory and professional requirements and of the objectivity of the audit engagement partner and audit staff and have also concluded that the independence is not impaired by the nature of the non-audit engagements undertaken during the year, the level of non-audit fees charged or any other facts or circumstances.

The level of non-audit services offered reflects the auditor's knowledge and understanding of the Group. The Group has also appointed other accountancy firms to provide certain non-audit services in connection with internal audit, governance, tax and regulatory advice, in particular with regard to the implementation of IFRS 17.

An analysis of auditor remuneration is shown in note 4 to the consolidated financial statements.

Effectiveness and reappointment of external auditor

The Committee considered the quality and effectiveness of the external audit process. The review of the performance was completed as part of an on-going process of review throughout the year with the Audit Committee seeking assurance and understanding of the auditor's approach to the audit. Private meetings were also held with the external auditor and the Chairman of the Committee as necessary outside the Audit Committee meetings. The Committee considered the findings of the FRC's Annual Audit Quality Review of KPMG and discussed with KPMG the firm-wide actions being taken to address observations made.

The lead audit partner was rotated in 2017 in accordance with the FRC's Ethical Standard. Following the auditor's performance review, the Board approved the reappointment of KPMG and put a resolution to shareholders at the 2018 Annual General Meeting to reappoint KPMG, which shareholders subsequently approved.

The Committee has approved KPMG's remuneration and terms of engagement and remains satisfied with KPMG's work and that KPMG continues to remain independent and objective.

The Committee will review the tenure of the auditor in 2019, and will continue to comply with the Code and extant regulations on audit tendering.

The Group will continue 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 control and for undertaking an annual review of the control systems in place. 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, Compliance and Actuarial Assurance, 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 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.

The Audit Committee keeps under review the adequacy and effectiveness of the Group's internal controls. It is the view of the Committee that the Group's internal controls are currently appropriate to the Group's needs.

INTERNAL AUDIT

The Committee receives an annual plan from the Director of Group Internal Audit, regular updates on internal audit work carried out and the internal audit end of year report.

In 2018, the Committee:

- continued to oversee investment in the Internal Audit function. The new Director of Group Internal Audit was appointed to lead the function following the retirement of the Regulatory and Audit Director and provided direct independent reporting to the Audit Committee Chairman;
- oversaw the engagement of PwC to work with the internal audit team on the combined internal audit assurance work, to complete the audit plan for 2018 and to conduct a Board and Committee effectiveness review;
- reviewed the rolling 12 month Internal Audit plan ensuring alignment to the key risks of the business;
- reviewed results from audits performed, including any unsatisfactory audit findings and related actions plans;
- reviewed open audit actions and monitored progress against them; and
- conducted an assessment of the Internal Audit function.

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 Director 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 identified. An effectiveness review of Internal Audit is carried out every three to five years and a review is planned for 2019. The Committee held private discussions with the Director of Group Internal Audit as necessary during the year. The Committee Chairman also meets with the Director of Group Internal Audit regularly outside the formal committee process, approves his performance appraisal, and sets his annual objectives.

WHISTLEBLOWING

The Group has a Whistleblowing Policy and procedure in place and an external confidential reporting hotline. The Group has also conducted an awareness campaign to encourage employees of the Group to raise in confidence concerns about possible improprieties in financial reporting, other operational matters or inappropriate behaviours in the workplace. The Chairman of the Audit Committee is the Whistleblowing Champion.

On behalf of the Audit Committee

Paul Bishop

Paul Bishop
Chairman, Audit Committee
14 March 2019

Group Risk and Compliance Committee Report

I am pleased to report on the Group Risk and Compliance Committee's activities during 2018

STATEMENT FROM THE GROUP RISK AND COMPLIANCE COMMITTEE CHAIRMAN

The Committee assists the Board by providing leadership, direction and oversight of the Group's risk management framework and regulatory compliance of the Group. In doing so, the Committee has played a key role in delivering effective oversight of the principal and emerging risks inherent in the business and the risk strategy.

SUMMARY OF MEETINGS DURING THE YEAR

The Committee met formally on four occasions. The main areas considered and activities undertaken by the Committee related to:

Risk governance

The Committee ensured that the risk framework continued to develop in line with the business needs, ensuring that policies and practices were kept up to date, and that the risk appetite, against which the business plan and strategy are assessed, remained appropriate. The Committee challenged the different levels of risk appetite and reviewed and approved the risk management plan for the year.

Risk oversight

The Committee regularly reviewed and challenged management's view of the developing risk and capital outlook for the Group by considering the Own Risk and Solvency Assessment reports together with updates provided on a quarterly basis. The Committee will continue to focus on this area as the PRA has signposted that further consultation on the stresses will be published next year. This included the principal risks set out on pages 34 to 37 of the Annual Report.

During the year there was a focus on the risks associated with lifetime mortgages and the regulatory capital implications of the PRA's supervisory statement SS3/17 and consultation paper CP13/18. At the beginning of the year the Committee received input from an independent economics advisory firm on both the pattern of house price movements over the last 64 years and predictions of future house prices on the basis of the link with inflation forecasts. The Committee also looked at the risks associated with using a third party house price index model to evaluate the likely cost of the no-negative equity guarantee. This work assisted the Committee in reviewing the possible regulatory treatment proposed in the consultation paper, which adopted an approach that differed from that used for economic capital purposes.

Business resilience

Operational resilience, including cyber security, continued to be an area of focus during the year. We reviewed the plans of, and steps taken by, management to mitigate the risks associated with the services provided by the Group. In addition, the Committee reviewed the plans to achieve material compliance with the General Data Protection Regulation ("GDPR") which was completed by the implementation date of May 2018.

The Committee considered the impact of Brexit on the business of the Group. As the Group does not operate in other countries within the EU, the principal impact is the reaction of the economy to the outcome of the Brexit negotiations, particularly that on interest rates and house price inflation. In addition, the impact on customers who receive regular guaranteed payments who since inception of the guarantee have moved overseas, including countries within the EU, was identified together with the necessary remedial action to be taken to ensure they continue to receive their income.

The Committee carried out a review of vulnerable customers during the year. It considered the policy and the ability of the business to identify such customers, particularly when there may be a change in circumstances such that it makes them more vulnerable than they might otherwise have been.

Conduct

The Committee regularly reviews and challenges management's view of conduct across the Group. The risk to appropriate customer outcomes is considered against a dashboard of measures in general, and against the quality of advice provided by advisers in the HUB Financial Solutions business and the number and cause of complaints arising within the Group in particular.

To ensure that the high standard of risk oversight is evidenced, the Committee requested, and subsequently saw, increased visibility of second line review throughout the Committee and Board reporting.

On behalf of the Group Risk and Compliance Committee

Keith Nicholson
Chairman, Group Risk and Compliance Committee
14 March 2019

ROLE AND RESPONSIBILITIES AND COMMITTEE MEMBERSHIP AND MEETINGS

The Committee's key roles and responsibilities are set out in the terms of reference, which can be found at www.justgroupplc.co.uk.

Biographies of the Committee members can be found on pages 44 to 47. The Committee works closely with the Audit and Investment Committees. The Group Chief Risk Officer and the Group Chief Actuary attend all meetings. Other Non-Executive Directors, Group executives and senior managers are invited to attend the meetings to report where appropriate on their areas of responsibility.

2018 scheduled Committee meetings	Attendance (eligibility)
Committee members	
Keith Nicholson (Chairman)	4(4)
Ian Cormack	4(4)
Chris Gibson-Smith	4(4)
Steve Melcher	4(4)
Clare Spottiswoode	4(4)

The Committee has a standing agenda based on the annual cycle of business covering all areas of its responsibility, but additional items are added as and when further discussion is required due to developments during the year. The Chairman of the Committee also holds regular private meetings with the Group Chief Risk Officer to ensure that all significant areas of risk are considered.

Directors' Remuneration Report

I am pleased to present the Remuneration Committee's report for the year ended 31 December 2018

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Committee's report is presented in three main sections, preceded by some important context relating to PRA regulatory activity which has impacted our remuneration landscape:

1. **This section outlines the key decisions made by the Committee during the year;**
2. **Section 2 on pages 67 to 71 details the Directors' Remuneration Policy, which was approved at the 2017 AGM; this describes the key components of our remuneration packages and the approach for each component; and**
3. **Section 3 is the Annual Report on Remuneration on pages 72 to 83, which describes how the Committee applied the Remuneration Policy.**

REMUNERATION CONTEXT

The new corporate governance guidelines were published on 16 July 2018, some of which the Company already follows as good practice, others it will be implementing in line within the required time frames during 2019. As already mentioned in the wider Annual Report, during the second half of the year, the PRA announced its industry-wide consultation (CP13/18) on equity release mortgages, creating market uncertainty that required Just to assess a variety of potential outcomes and subsequently affecting various aspects of the business. In relation to people and reward, it impacted the Company's ability to attract talent to the Group and retain some individuals. Despite these challenges, the Group has continued to achieve significant growth in sales and underlying operating profit and remains focused on serving its customers while growing its profits and margins.

During the third quarter of the year Simon Thomas, Chief Financial Officer, left the Company with prior agreement. In light of his long service and the on-going consultation on CP13/18 it was of particular importance to retain Simon Thomas. The Committee deemed that good leaver treatment of his remuneration was in the best interest of shareholders. Full details of how his remuneration was treated can be seen in a separate section below.

1. REMUNERATION IN 2018

At the AGM in May 2017, a binding vote approved our new Remuneration Policy (the "Policy"), which reflected developments in markets and good remuneration practice. Remuneration practices in 2018 were focused primarily on embedding our Policy for the Group and reviewing the remuneration arrangements of senior employees, including our three Executive Directors, an outline of which is described below:

Base salary increases for 2018

Salaries for Executive Directors are reviewed with effect from 1 April each year along with those of the overall employee population. As disclosed last year, the three Executive Directors received an average salary increase of 2.5%, consistent with other employees.

Short Term Incentive Plan ("STIP")

Pages 73 and 74 detail the targets and outcomes relating to 2018, as well as remuneration received relating to the year. For performance in 2018 the Committee approved awards for the Executive Directors at 92% level for the financial measures, reflecting the strong financial performance of the Group. Taking into account the non-financial performance element, this resulted in total bonuses of between 76% and 92% of the maximum being awarded. 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, except for Simon Thomas as noted below. The Committee is satisfied that this level of bonus payout appropriately reflects the financial performance delivered and the significant progress made against the Company's strategic objectives, balanced with the significant external challenges.

Long Term Incentive Plan ("LTIP")

Awards of between 150% and 200% of base salary were made to the Executive Directors in 2018, in line with our Policy. LTIP awards were also made to a small number of senior employees.

The LTIP awards made in 2015, under the Just Retirement Long Term Incentive Plan, vested in November 2018, while the award under the Partnership Long Term Incentive Plan vested in August 2018, both with the same performance conditions. The Remuneration Committee agreed that for 50% of the remaining award, relative to Total Shareholder Return ("TSR") performance, targets were not met, and that 50% of the remaining award relative to the adjusted operating profit targets were met, resulting in commensurate vesting. Further detail can be found on page 74.

The LTIP awards made in 2016 do not vest until April and September 2019. However, the performance period ended on 31 December 2018 and therefore the awards with estimated values are required to be detailed within our remuneration report. The Committee agreed that for 50% of the award, relative to TSR performance, targets were not met, and that 25% of the award relative to the adjusted operating profit targets were met and 25% of the remaining award relative to synergy targets were also met. Further detail can be found on page 75.

Deferred Share Bonus Plan ("DSBP")

Awards made under the Just Retirement DSBP i.e. those awards which had been deferred as part of the STIP in 2014, also vested in November 2018. These do not have further performance conditions and the Committee approved the vesting in full of these awards.

Discretion

The Committee exercised its discretion in treating Simon Thomas as a good leaver. The rationale has already been stated earlier in this statement and details on these arrangements follow.

Gender pay gap reporting

In 2018 we released our initial report on the gender pay gap. This highlighted that our gender pay gap derived from the lower number of females in senior roles rather than as a result of equal pay for the same job. We recognise it will take time to make progress, but are committed to doing so and have already set ourselves targets in relation to increasing the number of women in senior roles within the organisation at Board level and throughout the wider organisation where there is imbalance.

On-going review of policy

The Committee is aware of the external remuneration environment, including shareholders' views, the changes to the UK Corporate Governance Code and UK secondary legislation to amend the annual report regulations under the Companies Act, and the wider competitiveness of remuneration against the market. In the next 12 months the Committee will continue to review the Remuneration Policy to ensure it remains both appropriate and relevant to the business. The Committee's particular areas of focus will be the balance of financial and non-financial measures for the STIP, the effectiveness of malus and clawback provisions and the Code requirement for post-employment share ownership requirements. The Committee will disclose the CEO pay ratio in the 2019 Annual Report relating to the 2019 performance year.

Leaving arrangements for Simon Thomas

Simon Thomas ceased to be a Director with effect from 31 October 2018 as part of an agreed transition. Following his departure, payment of his salary and benefits allowance ceased. The Committee determined that he was a good leaver and he remained eligible for a pro-rated STIP (bonus), in respect of the nine months while active in his role, based on the outturn of the financial measures and an evaluation of his personal performance over this pro-rated time period. As he was no longer employed at the date of payment the bonus was paid in cash with one third deferred subject to additional performance conditions to be evaluated in 2019. The outcome will be disclosed in next year's Annual Report and Accounts.

As a good leaver, his awards outstanding under the DSBP vested on termination but remain subject to malus and clawback. His outstanding awards under the LTIP will vest at the normal vesting date, subject to application of the performance conditions and pro-rating to 31 October 2018.

Implementation of the Remuneration Policy for 2019

The Remuneration Committee agreed that the Executive Directors would receive a salary increase with effect from 1 April 2019. The level of increases for senior management and the general employee population was broadly 2.5%. Executive Directors received salary increments of less than 2% i.e. below those of the average employee.

The maximum annual bonus opportunity continues to be 150% of base salary for Executive Directors, subject to stretching corporate financial and personal non-financial measures.

For 2019 the Committee has reviewed the STIP financial metrics, introducing two new metrics, costs and use of capital. These will form part of a balanced scorecard approach that ensures the bonus pool generated in the year will reflect performance against financial, non-financial/personal performance metrics.

The Committee intends to grant LTIP awards to the CEO of up to 200% of base salary and for the Deputy CEO up to 150% of base salary. Awards will be assessed against TSR and adjusted EPS measures. See the "at a glance" section for more detail.

Finally, in relation to the Corporate Governance Code, one of the Remuneration Committee members, Steve Melcher, has been confirmed as the Non-Executive Director ensuring our employees' voice is considered by the Group. He will ensure that representations on reward from the wider employee community are considered by the Remuneration Committee in 2019. This will build on and complement the existing employee feedback sessions in place with our Non-Executive Directors.

I hope that you will be able to support the resolutions in the Annual Report at the forthcoming AGM.

Ian Cormack
Chairman, Remuneration Committee
14 March 2019

Directors' Remuneration Report – At a glance

To enable our shareholders to understand the key numbers and the approach we have taken within the wider remuneration report, we have designed an "at a glance" section for easier accessibility.

SUMMARY OF OUR REMUNERATION PACKAGES (ILLUSTRATION)

	2019	2020	2021	2022	2023	2024
FIXED PAY	Salary Benefit allowance					
SHORT TERM INCENTIVE PLAN	Performance period	Deferral period				

Short Term Incentive Plan:

Subject to achievement of a combination of corporate financial and personal non-financial performance measures.

1/3 deferred into shares under the Deferred Share Bonus Plan, with awards normally vesting after a three year period.

	2019	2020	2021	2022	2023	2024
LONG TERM INCENTIVE PLAN	Performance period			Holding period		

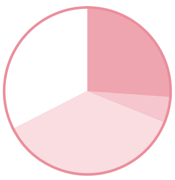
Long Term Incentive Plan:

50% of the award is subject to an EPS performance measure and 50% of the award is subject to the relative TSR performance.

Executive Directors are required to retain the LTIP shares that vest (net of tax and NICs) for a period of two years.

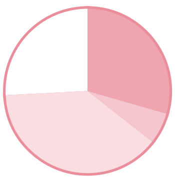
REMUNERATION IN RESPECT OF 2018 (£'000)

Rodney Cook
CEO



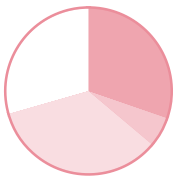
Salary	26%
Benefit allowance	5%
STIP	36%
LTIP/Shares	32%
£2,507	100%

David Richardson
Deputy CEO/Interim CFO



Salary	30%
Benefit allowance	6%
STIP	39%
LTIP/Shares	26%
£1,565	100%

Simon Thomas
CFO



Salary	30%
Benefit allowance	6%
STIP	34%
LTIP/Shares	29%
£1,080	100%

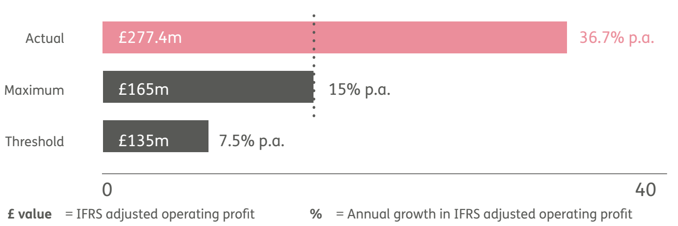
2018 STIP FINANCIAL PERFORMANCE

	Target	Actual
Pre-tax adjusted operating profit	£190.0m	£210.3m
IFRS new business profit	£180.0m	£243.7m

LTIP AWARDS WHICH VESTED DURING THE YEAR – 2015 LTIP OVERALL OUTCOME ACHIEVEMENT 50%

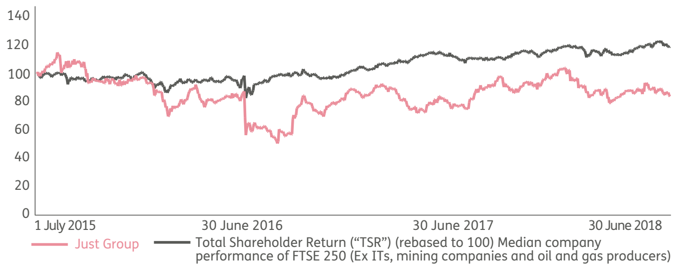
Financial measures were equally split between growth in IFRS adjusted operating profit and Total Shareholder Return, earned as follows:

GROWTH OVER 3 YEARS IN IFRS ADJUSTED OPERATING PROFIT (%)



Footnote: Please note the single figure also includes the provisional outturn for the 2016 LTIP award which had an overall outcome achievement of 50% in 2018 (as the performance period ended 31 December 2018) even though this award does not actually vest until April and September 2019. The 2016 LTIP measures were 50% on Total Shareholder Return and then 25% each on IFRS operating profit and synergy targets. Full details can be found on page 75.

TOTAL SHAREHOLDER RETURN



The above graph shows the value, on a daily basis, of Just Group's performance against the performance of the median TSR of the FTSE 250 (excluding investment trusts) over the performance period, 1 July 2015 to 30 June 2018.

KEY IMPLEMENTATION DECISIONS FOR 2019

Salary	• Salaries increased by less than 2% for Executive Directors, below the average 2.5% for the workforce. • Rodney Cook, CEO: £680,000, David Richardson, Deputy CEO: £473,000.
Short Term Incentive Plan	• Maximum opportunity is unchanged at 150% of base salary. • Financial measures for 2019 will be adjusted IFRS operating profit, IFRS new business profit, cost base reduction and capital consumed, and will represent two-thirds of the bonus. • Strategic personal performance based objectives will represent one-third of the bonus.
Long Term Incentive Plan	• Maximum opportunity remains at 250%, normal award level is 200% for the CEO, and 150% for the Deputy CEO. • Measures are unchanged, being relative TSR and adjusted EPS in equal weighting. • Two year holding period applies beyond the three year vest period.

2. DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy sets out the Group's Remuneration Policy for its Executive and Non-Executive Directors. The Policy has been developed taking into account the principles of the UK Corporate Governance Code, guidelines from major investors and guidance from the UK regulators, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), on best practice. The Policy was approved by shareholders at the 2017 AGM. A full copy of the Policy can be found on page 67 of the 2016 report. For reference, we have included the key elements of the Policy below.

Remuneration components

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
BASE SALARY	Provides a competitive and appropriate level of basic fixed pay to help recruit and retain Directors of a sufficiently high calibre. Reflects an individual's experience, performance and responsibilities within the Group.	Set at a level which provides a fair reward for the role and which is competitive amongst relevant peers. Normally reviewed annually with any changes taking effect from 1 April. Set taking into consideration individual and Group performance, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels amongst relevant insurance peers and other companies of equivalent size and complexity. The Committee considers the impact of any basic salary increase on the total remuneration package.	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. Current salary levels are disclosed in the "at a glance" section.
BENEFITS	Provides competitive, appropriate and cost-effective benefits.	Each Executive Director currently receives an annual benefits allowance in lieu of pension, car, private medical insurance and other benefits. Each Executive Director also receives life assurance and permanent health insurance. The benefits provided may be subject to minor amendment from time to time by the Committee within this Policy. The Group operates a money purchase pension scheme into which Directors may elect to pay part of their benefits allowance as a Company contribution, having regard to government limits on both annual amounts and lifetime allowances.	The benefits allowance is subject to an annual cap of 15% of base salary plus £20,000, although this may be subject to minor amendment to reflect changes in market rates. The cost of the other insurance benefits 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.
SHORT TERM INCENTIVE PLAN ("STIP")	Incentivises the execution of annual goals by driving and rewarding performance against individual and corporate targets. Compulsory deferral of a proportion into Group shares provides alignment with shareholders.	Paid annually, any bonus under the STIP is discretionary and subject to achievement of a combination of stretching corporate financial and personal non-financial performance measures. Corporate measures normally determine at least two-thirds of the STIP opportunity. One-third (or such higher proportion as has been determined by the Committee) of any bonus earned will be deferred into awards over shares under the Deferred Share Bonus Plan, with awards normally vesting after a three year period. The Committee has the discretion to adjust the deferral percentage if required to comply with future regulatory requirements relevant to the insurance industry. The Committee has the authority to apply a malus adjustment to all, or a portion of, an outstanding 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 time frame. These provisions apply to both the cash and deferred elements of the STIP.	The on-target bonus payable to Executive Directors is 75% of base salary with 150% of base salary the maximum payable. The bonus payable at the minimum level of performance varies from year to year and is dependent on the degree of stretch and the absolute level of budgeted profit. Dividends will accrue on DSBP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.

Directors' Remuneration Report continued

Remuneration components

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
LONG TERM INCENTIVE PLAN ("LTIP")	Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Granting of annual awards aids retention.	Annual awards of performance shares[1] normally vest after three years subject to performance conditions and continued service. Performance is normally tested over a period of at least three financial years. Awards are normally subject to an absolute financial growth measure and Total Shareholder Return relative to the constituents of a relevant comparator index or peer group. 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. Different performance measures and/or weightings may be applied for future awards as appropriate. However, the Committee will consult in advance with major shareholders prior to any significant changes being made. The Committee has the authority to apply a malus adjustment to all, or a portion, of an outstanding award in specific circumstances. The Committee also has the authority to recover (clawback) all, or a portion of, amounts already paid in specific circumstances and within a defined time frame. A post-vesting holding period will apply to Executive Directors for awards made in 2018 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.	The maximum opportunity is 250% of base salary. However, the normal policy is that awards made to the CEO and other Executive Directors are 200% and 150% of base salary respectively. Dividends will accrue on LTIP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.
ALL-EMPLOYEE SHARE PLANS	Encourages employee share ownership and therefore increases alignment with shareholders.	The Group may from time to time operate tax-approved share plans (such as HMRC-approved Save As You Earn Share Option Plan and Share Incentive Plan) for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.
SHAREHOLDING GUIDELINE	Encourages Executive Directors to build a meaningful shareholding in the Group so as to further align interests with shareholders.	Each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary. 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 and NICs.	Not applicable.

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

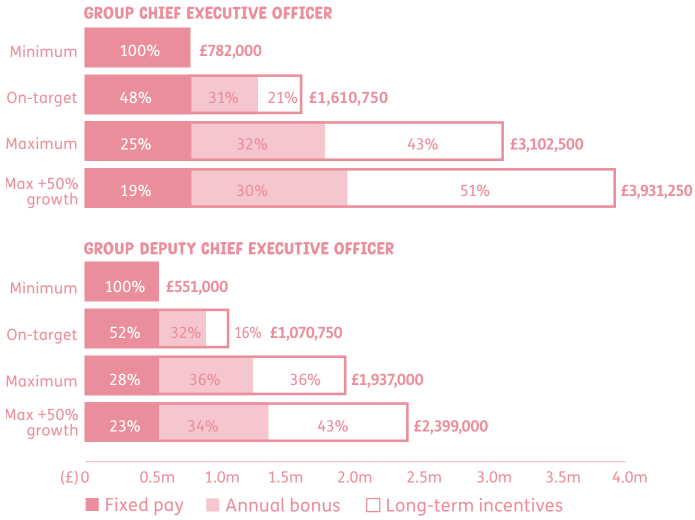
Illustration of the 2019 Remuneration Policy

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 four different performance scenarios: fixed pay only, performance under the STIP and LTIP at on-target, at maximum, and maximum with 50% share price growth. These charts are indicative, as share price movement and dividend accrual have been excluded. All assumptions made are noted below.

Assumptions:

- Minimum = fixed pay only (salary + benefits allowance)
- On-target = fixed pay plus 50% payout of the maximum STIP opportunity and 25% of maximum LTIP award[1]
- Maximum = fixed pay plus 100% or maximum payout of the STIP and LTIP awards[1]
- Maximum + 50% growth = fixed pay plus 100% or maximum payout of the STIP and LTIP awards[1] and a 50% share price growth

ILLUSTRATION OF 2019 REMUNERATION POLICY



1 Awards under the LTIP can be made up to 250% of base salary; however, the normal policy is that awards made to the 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.

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 development in 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. This does not include any arrangements to replace forfeited entitlements.

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

Payments beyond the Remuneration Policy

The Committee retains flexibility to offer additional cash and/or share-based awards on appointment to take account of remuneration or benefit arrangements forfeited by an Executive 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 on-going remuneration obligations existing prior to appointment may continue, at the discretion of the Remuneration Committee.

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 six 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.

Directors' Remuneration Report continued

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

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. The Committee retains authority to apply a clawback adjustment to all, or a portion, of the payment.

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.

NON-EXECUTIVE DIRECTORS ("NEDS")

Appointment letters

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. 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.

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.

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.

Non-Executive Directors

	Contract/letter of appointment effective dates
Chris Gibson-Smith	4 April 2016
Tom Cross Brown[1]	1 August 2013
Keith Nicholson	9 October 2013
Michael Deakin	30 April 2014
Steve Melcher	15 May 2015
Ian Cormack	4 April 2016
Paul Bishop	4 April 2016
Clare Spottiswoode	4 April 2016

1 Tom Cross Brown ceased to be a Non-Executive Director with effect from 17 May 2018.

The following table sets out the key elements of remuneration and policy for the NEDs.

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

Directors' Remuneration Report continued

3. ANNUAL REPORT ON REMUNERATION

This report describes the details of the Remuneration Policy for our Executive Directors and Non-Executive Directors and sets out how this Policy has been used and, accordingly, the amounts paid relating to the year ended 31 December 2018.

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.

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

Total remuneration – Executive Director single figure (audited)

£'000	Salary	Benefits[4]	STIP[1]		LTIP[2,7]	All-employee share plans[3]	Total
			Cash	Deferred[1]			
1 Jan – 31 Dec 2018							
Executive Director							
Rodney Cook	663	119	609	305	811	0	2,507
David Richardson[6]	462	89	408	204	401	0	1,565
Simon Thomas[6]	326	65	248	124	317	0	1,080

£'000	Salary	Benefits[4]	STIP[1]		LTIP[2]	All-employee share plans[3]	Total
			Cash	Deferred[1]			
1 Jan – 31 Dec 2017							
Executive Director							
Rodney Cook	640	148[5]	618	308	653	2	2,369
David Richardson	451	88	416	208	–	3	1,166
Simon Thomas	374	76	361	181	289	2	1,283

1 One-third of bonus payments have been deferred into awards over shares under the DSBP and will vest after three years, except for Simon Thomas where one third of the bonus payment has been deferred in cash subject to additional performance conditions to be evaluated in 2019.
2 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. The LTIP in respect of the period 1 January to 31 December 2018 includes both the 2015 and 2016 LTIP awards. The 2016 LTIP award was earned but did not vest during 2018, reflecting the change in year end from June to December. For the purposes of valuation the 2016 LTIP has been estimated based on a share price of £0.86 (the average share price from 1 October to 31 December 2018). This estimate will be updated to reflect the actual valuation in next year's report.
3 All-employee share plans includes the value of SAYE and SIP awards that vest after three or five years for SAYE, and three years for SIP.
4 Benefits include executive allowance for which the executives can purchase their own benefits, for example a pension or private medical cover.
5 Benefits for Rodney Cook in 2017 included a taxable cash payment of £32,500 for reimbursement of holiday which had to be cancelled to deal with urgent Company business. This is in line with Company policy for employees in similar circumstances.
6 Simon Thomas ceased to be Chief Financial Officer and an Executive Director of Just Group plc with effect from 31 October 2018, with David Richardson taking on the role of Interim Chief Financial Officer. Simon Thomas was awarded a 2018 bonus based on the nine months of the performance year and based on the achievement by the Company of financial objectives and the evaluation of personal objectives over this time period. Such amount remains subject to malus and clawback.
7 Share price depreciation led to an average 48% reduction in the face value of the 2015 LTIP award and a 36% drop in the face value of the 2016 LTIP award.

2018 EXECUTIVE DIRECTORS' SHORT TERM INCENTIVE PLAN AWARDS (AUDITED)

Two-thirds of the 2018 bonus was based on corporate financial performance measures, split equally across two measures, and one-third based on personal non-financial performance measures. The performance outcome against the targets set for the STIP in 2018 was as follows:

Executive Director (£'000)	Total STIP	Results (% of maximum)	Results (% of salary)
Rodney Cook	£914	92%	138%
David Richardson	£613	88%	133%
Simon Thomas	£372	76%	114%

Corporate financial performance

For 2018, STIP payouts as a percentage of maximum were 92% for Rodney Cook, 88% for David Richardson, and 76% (pro-rated) for Simon Thomas. The table below illustrates performance against each of the measures.

						Results (% of maximum)		
Measure	Threshold (20%)	Target (50%)	Maximum (100%)	Weighting as % of total STIP opportunity	Actual	Rodney Cook	David Richardson	Simon Thomas[1]
IFRS adjusted operating profit	£160m	£190m	£220m	33%	£210.3m	28%	28%	28%
IFRS new business profit	£155m	£180m	£205m	33%	£243.7m	33%	33%	33%
Total				67%		61%	61%	61%

1 Simon Thomas ceased to be a Director with effect from 31 October 2018. The Committee determined he would be treated as a good leaver and he remained eligible for a bonus in respect of the nine months of the financial year based on the achievement by the Company of its financial objectives and an evaluation of personal objectives over this time period. Two-thirds of the award will be paid in April 2019, the remaining third will be deferred in cash subject to additional performance conditions to be evaluated in 2019.

Strategic personal performance

Personal objectives represent one-third of the overall STIP potential. A performance commentary is shown in the table below:

Executive Director	Weighting as % of total STIP opportunity	Strategic personal objective	Key achievements	Payout as % of total STIP opportunity
Rodney Cook	33%	• Delivery of the Just Strategy and Business Plan • Redesign the Business Operating Model • Regulatory engagement • Executive succession development.	• Strategic business diversification and increased distribution reach through acquisition of DB advisory firm combined with the development of HUB Financial Solutions. • Implementation of a business segment operating model to create greater customer and partner focus. • Significant personal engagement with UK regulators in H2. • Carried out assessments and implemented succession development plans in addition to restructuring the executive team.	30%
David Richardson	33%	• Deliver improved Defined Benefit ("DB") new business performance. • Maintain strong pricing discipline across the Group. • Promote and progress the Group's people plan.	• DB significantly outperformed plan with new business sales growth of 32% at improved profit margins. • Return on equity on new business across the Group consistently in excess of targets supported by successful execution of investment strategy on non-LTM assets. • Enabled several key talent promotions within actuarial teams and led step change in profile and focus on diversity and inclusion in Just.	26%
Simon Thomas	33%	• Improve Group capital and financing capacity to enable the business to support its growth potential. • Deepening our investor relationships. • Building finance functional capability.	• Successfully led the issuance of £230m of Tier 3 debt at 3.5% in February 2018. • Regular engagement with investors and analysts over the period impacted by significant regulatory change. • Continued focus on delivery of trading results in line with market expectations. • Enabled several talent moves and exposure within the function to build succession capability and strengthen functional expertise.	23%

Directors' Remuneration Report continued

Risk consideration

The Committee reviewed a comprehensive report from the Group Chief Risk Officer to ascertain that the Executive Directors' objectives had been fulfilled within the risk appetite of the Group. In addition, the Committee received feedback from the Group Regulatory Risk and Compliance function and from the Group Legal Counsel that there were no material issues to consider around regulatory breaches, customer outcomes or litigation that would prevent payment of any STIP award or trigger any malus. The Committee was satisfied that the STIP awards should be paid.

Deferral policy

In line with our policy, one-third of the 2018 STIP award will be deferred into nil cost options (DSBP), subject to continued employment and clawback/malus provisions.

Executive Director £'000	Results (% of maximum)	Results (% of salary)	Cash STIP	Deferred amount	Total STIP
Rodney Cook	92%	138%	£609	£305	£914
David Richardson	88%	133%	£408	£204	£613
Simon Thomas[1]	76%	114%	£248	£124	£372

1 The Remuneration Committee agreed that one-third of the total bonus for Simon Thomas will be deferred in cash and subject to additional performance conditions to be evaluated in 2019. The total bonus remains subject to malus and clawback.

VESTING OF LTIP AWARDS WITH A PERFORMANCE PERIOD ENDING IN 2018 (AUDITED)

2015 awards

The 2015 Just Retirement LTIP award vested at 50% in November 2018 based on award measures of IFRS adjusted operating profit ("OP") and relative TSR over the three year period ending 30 June 2018 (see tables below).

The 2015 Partnership LTIP award vested 20% in December 2016 with the remaining 80% vesting in August 2018 and subject to the same performance conditions as the 2015 Just Retirement LTIP (see tables below). As such, 50% of the remaining award vested i.e. 40% of the initial award made.

Award	Measure	Weighting	Vesting scale	OP for 12 months ended 30 June 2018	Annual performance achieved	Cumulative performance achieved	% of this award vesting
2015	Adjusted operating profit	50%	No vesting if OP growth below 7.5% p.a., 25% vests if OP growth equal to 7.5% p.a., 100% vests if OP growth exceeds 15% p.a. Straight-line pro-rata basis from 25% to 100% if OP growth exceeds 7.5% p.a. but is less than 15% p.a.	£277.4m	36.7%	155.7%	100%
				Actual median TSR	Actual upper quartile TSR	Actual achievement	% of this award vesting
2015	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%).	18.3%	53.5%	–11.6%	0%

Details of how the Just Retirement LTIP 2015 vested

	Number of shares at grant	% vested	Number of shares vested	Number of shares lapsed	Share price at vesting (6 Nov 2018)	Total value at vesting including cash equivalent dividend[1]
Rodney Cook	706,025	50%	353,012	353,013	£0.88	£347,787
Simon Thomas	310,407	50%	150,892	159,515	£0.88	£148,659

1 The value of the LTIP for 2018 relates to the 2015 LTIP award, with a three year performance period ending 30 June 2018. 50% of the award vested in November 2018. The value of the LTIP award is based on the closing price of £0.88 on 6 November 2018, and also includes the amount received for the cash equivalent dividend payment based on number of shares vested.

Partnership Assurance LTIP 2015

As part of the merger agreement, the Partnership 2015 LTIP was converted to Just Group plc with 20% vesting on completion of the original vesting period of 31 December 2016 and the remaining 80% was due to vest on 11 August 2018.

	Number of shares at grant	% vested	Number of shares vested	Number of shares lapsed	Share price at vesting[1]	Value at vesting
David Richardson	355,609	40%	142,244	142,244	£0.96	£148,389

1 The value of the LTIP for 2018 relates to the 2015 LTIP award, with a three year performance period ending 30 June 2018. 40% of the award vested in August 2018. The value of the LTIP award is based on the closing price of £0.96 on 13 August 2018 (the first trading day following this vesting date), and also includes the amount received for the cash equivalent dividend payment based on number of shares vested.

2016 awards

The 2016 Just Retirement LTIP award performance period ended on 31 December 2018. The award is forecast to vest at 50% in April and September 2019 based on award measures of IFRS adjusted operating profit ("OP"), relative TSR and cost-synergy targets over the three year period ending 31 December 2018 (see tables below).

Award	Measure	Weighting	Vesting scale	OP for 12 months ended 31 December 2018	Annual performance achieved	Cumulative performance achieved	% of this award vesting
2016	IFRS adjusted operating profit	25%	No vesting if OP growth below 9.0% p.a., 25% vests if OP growth equal to 9.0% p.a., 100% vests if OP growth exceeds 18% p.a. Straight-line pro-rata vesting basis from 25% to 100% if OP growth exceeds 9.0% p.a. but is less than 18% p.a.	£210.3m	26.7%	103.2%	100%
				Actual median TSR	Actual upper quartile TSR	Actual achievement	% of this award vesting
2016	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%).	11.6%	42.1%	-43.4%	0%
				Minimum savings	Maximum savings	Actual savings	% of this award vesting
2016	Cost-synergy targets	25%	No vesting if savings below £40m, 25% vests if equal to the minimum target, 100% if equal to the maximum target. Pro-rata vesting between the minimum and maximum targets (25% to 100%)	£40m	£55m	£55m	100%

Details of how the Just Retirement LTIP 2016 will vest

	Vesting date	Number of shares at grant	% vested	Number of shares vested	Number of shares lapsed
Rodney Cook	21 Apr 2019	852,126	50%	426,063	426,063
	28 Sep 2019	42,606	50%	21,303	21,303
David Richardson	21 Apr 2019	482,075	50%	241,037	241,038
	28 Sep 2019	6,060	50%	3,030	3,030

Please note no values are shown in the above table as while the awards were earned in 2018 they do not vest until 2019 as indicated above. An estimate of their value has been included in the Executive Director single figure table on page 72. In line with his exit terms, Simon Thomas will receive his 2016 awards, which will be in line with the above performance outcomes and pro-rated for time in role.

Directors' Remuneration Report continued

2018 LTIP AWARDS GRANTED (AUDITED)

The following awards were made:

	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	29 Mar 2018	nil-cost options	200% of £667,000	998,502	£1,334,000	25%	31 December 2020
David Richardson	29 Mar 2018	nil-cost options	150% of £464,000	520,958	£696,000	25%	31 December 2020
Simon Thomas	29 Mar 2018	nil-cost options	150% of £390,000	437,874	£585,000	25%	31 December 2020

1 Awards were granted at a share price of 133.6p, 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 earnings per share ("EPS") performance target. If the adjusted EPS growth target for the 12 months ending 31 December 2020 exceeds the adjusted EPS growth target for the financial year ending 31 December 2017 by 6% p.a. (equivalent to 19.1% cumulative growth), 25% of the award will vest. The award will vest in full for growth of 12% p.a. (equivalent to 40.5% cumulative growth) with payment on a sliding scale in between these points. No award will vest if cumulative growth is below 19.1%. Half of the award is 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.

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. 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 and NICs.

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

Director	Beneficially owned shares at 31 December 2018	Shareholding guideline achieved	Beneficially owned shares at 14 March 2019	Unvested and subject to performance conditions	Unvested and subject to continued employment		Vested but not exercised	
				LTIP	LTIP/DSBP[3]	SAYE	LTIP	SIP[4]
Rodney Cook	2,885,612	YES	2,885,612	1,845,115	982,628	16,822	353,012	1,688
David Richardson[1]	366,122	NO	366,122	1,042,717	664,488	–	213,365	236
Simon Thomas[2]	973,788	YES	973,788	260,434	162,604	16,822	150,892	–

1 David Richardson fulfilled the Company share ownership guidelines in Partnership Assurance prior to the merger but fell below the new Group threshold following the transfer of Partnership Assurance Group plc shares for Just Group plc shares. David Richardson was appointed an Executive Director on 4 April 2016.
2 Simon Thomas's shareholding is as at the date of departure from the Board. The spouse of Simon Thomas held 4,510 ordinary shares.
3 Includes the 2016 LTIP shares earned in the performance period ended on 31 December 2018 but not due to vest until April and September 2019.
4 Dividend shares are included in the SIP total.

DIRECTORS' OUTSTANDING INCENTIVE SCHEME INTERESTS (AUDITED)

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

Rodney Cook

Scheme	Interests at 31 December 2017	Granted in 12 month period	Vested in 12 month period	Lapsed in 12 month period	Exercised in 12 month period	**Interests at 31 December 2018**	Date of grant	Exercise price (£)	End of performance period	Vesting date	Expiry date
LONG TERM INCENTIVE PLAN											
LTIP (2018)[1]	–	998,502	–	–	–	**998,502**	29 Mar 2018	nil	31 Dec 2020	29 Mar 2021	29 Mar 2028
LTIP (2017)[2]	846,613	–	–	–	–	**846,613**	17 May 2017	nil	31 Dec 2019	17 May 2020	17 May 2027
LTIP (2016)[3]	42,606	–	–	–	–	**42,606**	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)[3]	852,126	–	–	–	–	**852,126**	21 Apr 2016	nil	31 Dec 2018	21 Apr 2019	21 Apr 2026
LTIP (2015)[4]	706,025	–	353,012	353,013	–	**353,012**	6 Nov 2015	nil	30 Jun 2018	6 Nov 2018	6 Nov 2025

Scheme	Interests at 31 December 2017	Granted in 12 month period	Vested in 12 month period	Lapsed in 12 month period	Exercised in 12 month period	**Interests at 31 December 2018**	Date of grant	Exercise price (£)	End of performance period	Vesting date	Expiry date
DEFERRED SHARE BONUS PLAN											
DSBP (2018)	–	228,703	–	–	–	**228,703**	29 Mar 2018	nil	n/a	29 Mar 2021	29 Mar 2028
DSBP (2017)	207,358	–	–	–	–	**207,358**	17 Mar 2017	nil	n/a	17 Mar 2020	17 Mar 2027
DSBP (2016)	99,201	–	–	–	–	**99,201**	21 Apr 2016	nil	n/a	21 Apr 2019	21 Apr 2026
DSBP (2015)	157,023	–	157,023	–	–	**157,023**	6 Nov 2015	nil	n/a	6 Nov 2018	6 Nov 2025
SAVE AS YOU EARN											
SAYE (2017)	16,822	–	–	–	–	**16,822**	21 Jun 2017	1.07	n/a	1 Sep 2020	1 Mar 2021
SHARE INCENTIVE PLAN											
SIP[6]	1,659	29	–	–	–	**1,688**	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

David Richardson

Scheme	Interests at 31 December 2017	Granted in 12 month period	Vested in 12 month period	Lapsed in 12 month period	Exercised in 12 month period	**Interests at 31 December 2018**	Date of grant	Exercise price (£)	End of performance period	Vesting date	Expiry date
LONG TERM INCENTIVE PLAN											
LTIP (2018)[1]	–	520,958	–	–	–	**520,958**	29 Mar 2018	nil	31 Dec 2020	29 Mar 2021	29 Mar 2028
LTIP (2017)[2]	521,759	–	–	–	–	**521,759**	17 May 2017	nil	31 Dec 2019	17 May 2020	17 May 2027
LTIP (2016)[3]	6,060	–	–	–	–	**6,060**	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)[3]	482,075	–	–	–	–	**482,075**	21 Apr 2016	nil	31 Dec 2018	21 Apr 2019	21 Apr 2026
LTIP (2015) (Partnership)[4,5]	355,609	–	142,244	142,244	–	**213,365**	11 Aug 2015	nil	30 Jun 2018	11 Aug 2018	11 Aug 2025
DEFERRED SHARE BONUS PLAN											
DSBP (2018)	–	154,135	–	–	–	**154,135**	29 Mar 2018	nil	n/a	29 Mar 2021	29 Mar 2028
DSBP (2017)	147,001	–	–	–	–	**147,001**	17 Mar 2017	nil	n/a	17 Mar 2020	17 Mar 2027
DSBP (2016)	119,285	–	–	–	–	**119,285**	21 Apr 2016	nil	n/a	21 Apr 2019	21 Apr 2026
SAVE AS YOU EARN											
SAYE (2014) (Partnership)[5]	7,950	–	–	–	7,950	**–**	1 Nov 2014	1.1319	n/a	1 Nov 2017	1 May 2018
SHARE INCENTIVE PLAN											
SIP (Partnership)[6]	236	–	–	–	–	**236**	12 Jun 2013	nil	n/a	12 Jun 2016	n/a

Directors' Remuneration Report continued

Simon Thomas

Scheme	Interests at 31 December 2017	Granted in 12 month period	Vested in 12 month period	Lapsed in 12 month period	Exercised in 12 month period	**Interests at 31 December 2018**	Date of grant	Exercise price (£)	End of performance period	Vesting date	Expiry date
LONG TERM INCENTIVE PLAN											
LTIP (2018)[1,7]	–	437,874	–	352,732	–	**85,142**	29 Mar 2018	nil	31 Dec 2020	29 Mar 2021	29 Mar 2028
LTIP (2017)[2,7]	371,207	–	–	195,915	–	**175,292**	17 May 2017	nil	31 Dec 2019	17 May 2020	17 May 2027
LTIP (2016)[3,7]	18,732	–	–	5,724	–	**13,008**	28 Sep 2016	nil	31 Dec 2018	28 Sep 2019	28 Sep 2026
LTIP (2016)[3,7]	374,641	–	–	62,441	–	**312,200**	21 Apr 2016	nil	31 Dec 2018	21 Apr 2019	21 Apr 2026
LTIP (2015)[4]	310,407	–	150,892	159,515	–	**150,892**	6 Nov 2015	nil	30 Jun 2018	6 Nov 2018	6 Nov 2025
DEFERRED SHARE BONUS PLAN											
DSBP (2018)[8]	–	133,703	133,703	–	–	**–**	29 Mar 2018	nil	n/a	29 Mar 2021	29 Mar 2028
DSBP (2017)[8]	120,524	–	120,524	–	–	**–**	17 Mar 2017	nil	n/a	17 Mar 2020	17 Mar 2027
DSBP (2016)[8]	55,091	–	55,091	–	–	**–**	21 Apr 2016	nil	n/a	21 Apr 2019	21 Apr 2026
DSBP (2015)[8]	85,267	–	85,267	–	–	**–**	6 Nov 2015	nil	n/a	6 Nov 2018	6 Nov 2025
SAVE AS YOU EARN											
SAYE (2017)	16,822	–	–	–	–	**16,822**	21 Jun 2017	1.07	n/a	1 Sep 2020	1 Mar 2021
SHARE INCENTIVE PLAN											
SIP[6]	1,659	29	–	–	1,688	**–**	15 Nov 2013	nil	n/a	15 Nov 2016	n/a

1 Vesting of the LTIP awards made in March 2018 is based 50% on growth in the Group's adjusted earnings per share ("EPS") and 50% on relative TSR performance as described earlier in this report.
2 Vesting of the LTIP awards made in May 2017 is based 50% on growth in the Group's adjusted earnings per share ("EPS") and 50% on relative TSR performance. If adjusted EPS for the financial year ending 31 December 2019 exceeds the Group's adjusted EPS for the 12 months prior to 31 December 2016 by 6% p.a. (equivalent to 19.1% cumulative growth), 25% of the award will vest. The award will vest in full for growth of 12% p.a. (equivalent to 40.5% cumulative growth) with payment on a sliding scale in between these points. No award will vest if cumulative growth is below 19.1%. 50% of the award is 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.
3 Vesting of the LTIP awards made in April and September 2016 is based 25% on adjusted operating profit growth, 50% on relative TSR performance and 25% on cost synergy targets as described earlier in this report.
4 Vesting of the LTIP awards made in November 2015 is based 50% on adjusted operating profit growth and 50% on relative TSR performance as described earlier in this report.
5 These were issued in Partnership Assurance Group plc and converted into the Just Group plc scheme on acquisition at 4 April 2016.
6 Dividend shares are included in the SIP total.
7 Simon Thomas ceased to be the Chief Financial Officer of Just Group with effect from 31 October 2018 and the Remuneration Committee agreed that he would be treated as a good leaver. As such, the awards received under the Long Term Incentive Plan will vest, subject to the achievement of the applicable performance criteria over the full performance period. Subject to these awards being met, the awards granted in 2016, 2017 and 2018 will be pro-rated to the leave date and the extent to which these shares vest will be determined by the Remuneration Committee in 2019, 2020 and 2021 respectively. Such amounts will remain subject to malus and clawback.
8 Simon Thomas ceased to be the Chief Financial Officer of Just Group with effect from 31 October 2018 and the Remuneration Committee agreed that the 394,585 shares awarded under the Company's Deferred Share Bonus Plan ("DSBP") would vest on the leaving date. Such amounts will remain subject to malus and clawback.

The closing share price of the Group's ordinary shares as at 31 December 2018 was £0.92 and the price range fluctuated over the course of the year between £0.71 and £1.68.

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 2.21% of the 10% in ten years dilution limit and 1.77% of the 5% in ten years dilution limit.

PAYMENTS MADE TO PAST DIRECTORS DURING 2018 (AUDITED)

There were no payments made to past Directors during 2018.

PAYMENTS FOR LOSS OF OFFICE MADE DURING 2018 (AUDITED)

Simon Thomas ceased to be a Director with effect from 31 October 2018 as part of an agreed transition. Following his termination, payment of salary and benefits allowance ceased. The Committee determined that he was a good leaver and he remained eligible for a bonus in respect of the nine months of the financial year worked based on the achievement by the Company of its financial objectives and an evaluation of personal objectives over this time period. Two thirds of the award will be paid in cash in April 2019 with the remaining third deferred in cash subject to additional performance conditions to be evaluated in 2019.

As a good leaver, his outstanding awards under the Deferred Share Bonus Plan vested on termination but remain subject to malus and clawback. His outstanding awards under the LTIP will vest on the normal vesting date, subject to the application of the performance conditions and pro-rating for time served.

NON-EXECUTIVE DIRECTORS' REMUNERATION SINGLE FIGURE (AUDITED)

The fees for Non-Executive Directors were not reviewed in 2018 and remain as detailed in the table below:

Fees (£'000)	31 December 2018
Board Chairman	**250**
Deputy Chairman	**180**
Basic fee	**60**
Additional fee for Senior Independent Director	**10**
Additional fee for Committee Chairman	**15**

The table below shows the actual fees paid to our Non-Executive Directors from 1 January to 31 December 2018 and 1 January to 31 December 2017.

Non-Executive (£'000)	Committee membership	**Year ended 31 December 2018**	Year ended 31 December 2017
Chris Gibson-Smith, Chairman	A N R RI	**250**	250
Tom Cross Brown, Deputy Chairman[1]	N RI	**69**	180
Keith Nicholson, Senior Independent Director	A N RI	**85**	89
Michael Deakin	I N R	**75**	79
Steve Melcher[2]	A N RI	**75**	79
Ian Cormack	N R RI	**74**	77
Paul Bishop	I A N	**75**	75
Clare Spottiswoode	A RI	**60**	60

1 Tom Cross Brown ceased to be a Non-Executive Director with effect from 17 May 2018.
2 Steve Melcher also chairs the HUB Board.

Committee key

A Audit N Nomination R Remuneration RI Group Risk and Compliance I JRL and PLACL Investment Committee ■ Denotes Chair of Committee

Directors' Remuneration Report continued

NED SHAREHOLDINGS GUIDELINES (AUDITED)

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.

	Beneficially owned shares at 14 March 2019	Beneficially owned shares at 31 December 2018
Chris Gibson-Smith	582,787	582,787
Tom Cross Brown[1]	725,000	725,000
Keith Nicholson	29,775	29,775
Michael Deakin	42,036	42,036
Steve Melcher	79,439	79,439
Ian Cormack	10,831	10,831
Paul Bishop	–	–
Clare Spottiswoode	–	–

1 Tom Cross Brown ceased to be a Non-Executive Director with effect from 17 May 2018 and his shareholding is as at that date.

REMUNERATION COMMITTEE 2018

The Committee is made up exclusively of Independent Non-Executive Directors. The Committee is chaired by Ian Cormack (appointed on 4 April 2016) and other members are Chris Gibson-Smith (appointed on 4 April 2016), Michael Deakin (appointed on 23 March 2015) and Steve Melcher (appointed on 15 May 2016).

The terms of reference are available on the Company website. The focus of the Committee includes the remuneration strategy and policy for the whole Company as well as the Executive Directors.

The key activities of the Committee during the year included:

- reviewing and approving the Directors' Remuneration Report;
- approving the grant of the 2018 awards and performance conditions under the Long Term Incentive Plan;
- determining the leaver terms regarding Simon Thomas, Chief Financial Officer;
- assessing the performance of Executive Directors against the 2018 corporate financial and personal non-financial performance targets set for the annual bonus and approving the payments;
- review of the Company's gender pay gap data; and
- monitoring the developments in the corporate governance environment and investor expectations.

External assistance provided to the Committee

The Executive Compensation practice of Aon plc ("Aon") is retained as the independent adviser to the Remuneration Committee. Aon has no other connection with the Group and provides no other services to the Group.

Aon has been appointed by the Committee to provide advice and information. Aon 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 Aon for providing advice and information related to remuneration and employee share plans to the Committee during the year were £183,262. The fees are predominantly charged on a "time spent" basis.

Internal assistance provided to the Committee

The Group Chief Executive Officer and other senior management, including the Group HR Director and the 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.

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING (UNAUDITED)

At the Just Group AGM held on 17 May 2018, shareholders were asked to vote on the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2017.

The resolution received significant votes 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	687,843,979	95.08%	35,616,312	4.92%	60,472,441

The Directors' Remuneration Policy was put to a binding vote at the JRP Group AGM held on 18 May 2017. The votes received were:

Resolution	Votes for	% of votes	Votes against	% of votes	Votes withheld
To approve the Directors' Remuneration Policy	785,635,441	96.90%	25,111,348	3.10%	3,366

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. There were no material changes in 2018.

REMUNERATION FOR EMPLOYEES BELOW THE BOARD

General Remuneration Policy

The Remuneration Policy for the wider Group is designed to attract, retain and motivate new and existing employees. It is in line with the sector in which we operate and our overall total remuneration approach is to pay a market competitive level of remuneration that is structured to appropriately reward employees, align them with the interests of our shareholders and customers and be relevant to the markets/geographies in which we operate. We define total remuneration as base salary, annual incentive (STIP) and any benefits, for example pensions. For those eligible to participate in the LTIP this will also be included.

Summary of the remuneration structure for employees below Executive Director

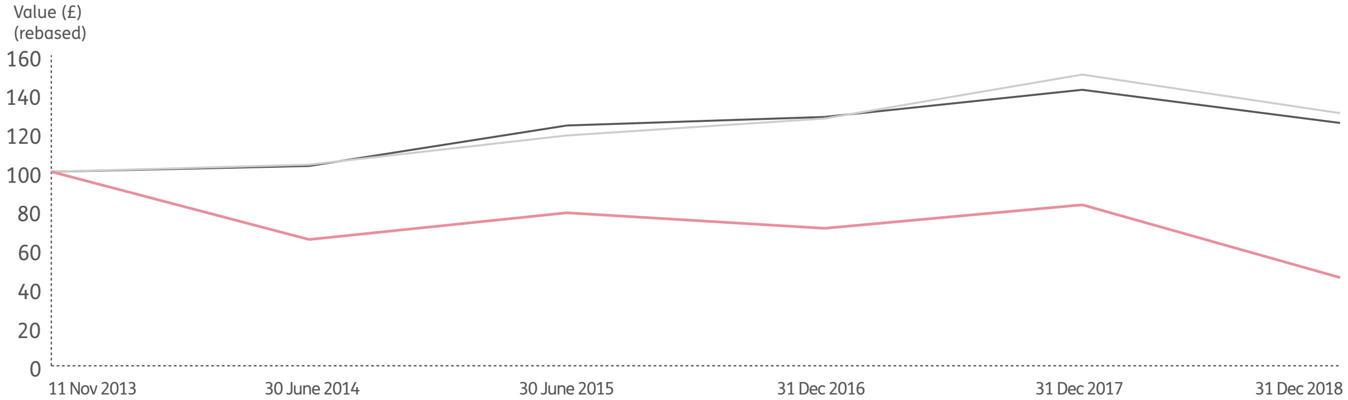
Remuneration element	Policy approach
BASE SALARY	To attract and retain key employees we pay salaries which deliver market competitive total remuneration. We take into account the following when determining the base salary: the size of the role and its scope, the required skills, knowledge and experience, relevant pay in terms of the wider organisation and appropriate market comparative data. For 2018 the average salary increase for all employees was set at 2.5%. This is an average figure, with individual increases varying within a range depending on the factors above.
SHORT TERM INCENTIVE PLAN	Most of our employees participate in a discretionary bonus plan, unless an alternative plan, for example in relation to sales roles, is in operation. This plan is based on the achievement of corporate (Company) performance and personal performance, the latter is based on objectives, behaviours in line with our culture and conduct in the role. For regulated roles, for example in risk, audit or compliance roles, an element of the financial performance may be replaced by functional performance. The Group also operates bonus plans for certain types of roles, for example sales, based on objectives, behaviours in line with our culture and conduct in the role. The Remuneration Committee has the ultimate discretion on all incentive plans and these are reviewed on an annual basis. Bonuses for all of the executive team who are not Board members have an element of bonus deferred into shares for three years.
LONG TERM INCENTIVE PLAN	Participation in the LTIP is for a small number of executives and key roles each year in recognition of the strategic and critical roles that they hold in supporting the strategic direction of the business and delivering Company performance. In 2018 fewer than 50 people were granted awards.
OTHER SHARE PLANS	The Company operates a deferred share bonus plan ("DSBP") which provides the vehicle for the deferral of the STIP award.
PENSION	All employees are provided with the opportunity to participate in the Group defined contribution pension plan.
OTHER BENEFITS	All employees are able to participate in the private medical cover scheme.

Directors' Remuneration Report continued

Group's share performance compared to the FTSE 250 Index

The following 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). 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)



This graph shows the value, by 31 December 2018, of £100 invested in Just Group plc on 11 November 2013, compared with the value of £100 invested in the FTSE 250 Index and the median TSR performance of the constituents of the FTSE 250 Index (excluding investment trusts) as at 6 November 2015.

Just Group — FTSE 250 (excluding investment trusts) — Median company performance of FTSE 250 (excluding investment trusts)

Source: FactSet

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

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

	Year ended 31 December	Year ended 31 December	12 month period ended 31 December	18 month period ended 31 December	Year ended 30 June		
	2018	2017	2016	2016	2015	2014	2013
Total remuneration (£'000)	2,507	2,369	1,870	2,630	1,357	1,196	1,052
STIP (as a % of maximum opportunity)	91.2%	95.0%	98.3%	97.5%	89%	63%	86%
LTIP vesting (as a % of maximum opportunity)	50.0%	50.0%	39.5%	39.5%	n/a	n/a	n/a

Percentage annual change in the Group Chief Executive Officer's pay compared to that for Just 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 2017 and 2018, compared to that for the average employee of the Group (on a per capita basis).

	Rodney Cook, CEO			Average employee[1]		
£'000	Year ended 31 Dec 2018	Year ended 31 Dec 2017	% change[2]	Year ended 31 Dec 2018	Year ended 31 Dec 2017	% change
Salary	663	640	3.6%	55	53	3.9%
Benefits	119	148	-19.6%	3	3	10.2%
Bonus	914	926	-1.3%	17	17	1.87%

1 All permanent employees in the UK who were in employment during the two calendar year periods of 2017 and 2018 were selected as the most appropriate comparator.
2 Without exceptional one-off holiday reimbursement in 2017, the actual benefit increase is 2.6%.

Relative importance of spend on pay (unaudited)

The table below illustrates the relative importance of spend on pay compared to shareholder dividends paid.

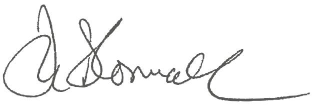
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	% difference
Total personnel costs (£m)	**118.7**	113.8	4.2%
Dividends paid (£m)	**24.4**	33.2	-26.5%

Implementation of the Remuneration Policy in 2019 for Executive Directors (unaudited)

Salary	• Salaries increased by less than 2% for Executive Directors, below the average 2.5% for the wider employee population • Rodney Cook, CEO: £680,000 • David Richardson, Deputy CEO: £473,000
Short Term Incentive Plan	• Maximum opportunity remains unchanged at 150% • Financial measures for 2019 will be adjusted IFRS operating profit, IFRS new business profit, cost base reduction, and capital consumed.
The Committee has chosen not to disclose in advance details of the STIP 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.	
Long Term Incentive Plan	• Maximum opportunity remains 250%, however the normal award level is up to 200% for the CEO, and up to 150% for the Deputy CEO. The awards made in 2019 will be subject to the measures below, calculated over the three financial years to 31 December 2021 • Measures remain unchanged as follows: – 50% on adjusted earnings per share ("EPS") – subject to growth in adjusted earnings per share over three years from the 12 months ending 31 December 2018. These targets have not yet been finalised and will be disclosed to shareholders at the time of grant. – 50% on relative total shareholder return ("TSR") – subject to TSR performance relative to the constituents of a relevant comparator index or peer group. Vesting of 25% of these awards will occur for threshold 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.

APPROVAL

This report was approved by the Board of Directors on 14 March 2019 and signed on its behalf by:



Ian Cormack
Chairman, Remuneration Committee
14 March 2019

Directors' Report

The Directors present their Annual Report and the audited financial statements for Just Group plc ("Just"), registered in England & Wales No: 8568957, for the year ended 31 December 2018.

OVERVIEW

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 2018 is set out on pages 84 to 87 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 1 to 41)
Employee involvement, communication and equal opportunities	Our colleagues (page 39)
Directors serving during the year	Pages 44 to 53 Governance Report
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 33 to the financial statements (pages 137 to 141)
Details of long-term incentive schemes	Note 10 to the financial statements (pages 116 to 119)
Greenhouse gas emissions	Information on our reporting of greenhouse gas emissions and the methodology used to record these is given on page 41
Directors' Responsibility Statement	Page 88

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 UK Corporate Governance Code 2016.

The 2018 Viability Statement is contained within the Strategic Report and can be found on page 33.

GOING CONCERN

Under 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 requirements of PS31/18 "Solvency II: Equity release mortgages" published by the PRA in December 2018. The publication of PS31/18 has significantly reduced the uncertainty created by CP13/18 "Solvency II: Equity release mortgages" and includes a number of key changes which are material to the Group, such as the deferral of the implementation date to 31 December 2019, confirmation that transitional measures for technical provisions for pre-2016 business will be recognised over the remaining transitional period to 31 December 2031, and a requirement that firms must meet an effective value test using a volatility rate of 13% and a deferment rate of 0% at the end of 2019 and that the deferment rate should increase to 1% by year end 2021. PS31/18 also noted a number of areas for further consideration, in particular the calculation of the SCR. There is still some uncertainty as regards areas for further consideration, but the Directors consider that the material uncertainty in relation to going concern which was disclosed in the Group's interim results for 2018 does not exist at the 2018 year end.
- The projected liquidity position of the Group as at 31 December 2018, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements, including the Restricted Tier 1 debt and equity placings to write anticipated levels of new business. This included assessing the risk that the Group may not be able to raise new capital.
- Eligible own funds being in excess of minimum capital requirements in a combined stress scenario with a disruptive Brexit, no capital strengthening and reduced new business volumes.
- The findings of the 2018 Group Own Risk and Solvency Assessment ("ORSA"), and in particular sensitivity to the most significant risks faced by the Group, including the risks from the open areas of PS31/18 noted earlier and from the UK's withdrawal from the European Union.
- Scenarios, including those in the ORSA, where the Group ceases to write new business. In such a run-off scenario, this included any changes required in the valuation of insurance liabilities as a result of changes in assumptions. However, in the run-off scenario the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business (e.g. collect premiums and administer policies) rather than ceasing to trade.
- The Group plan, which was approved by the Board in the first quarter of 2019, and in particular the forecast regulatory solvency position calculated on a Solvency II basis, which included strengthening the Group's capital base to support its new business franchise.

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.

RESULTS AND DIVIDEND

The financial statements set out the results of the Group for the year ended 31 December 2018 and are shown on page 99.

The Board considers it appropriate not to pay a dividend for 2018.

The Board's current expectation is to recommence dividend payments during the 2019 financial year at a rebased level. The rebased level for the 2019 full year dividend is expected to be approximately one third of the 3.72 pence total dividend paid during the 2017 financial year, subject to the Group's earnings, cash flow and capital position.

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 941,068,882 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.

At the Annual General Meeting held on 17 May 2018, the Directors were (i) authorised to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £62,553,889, (ii) empowered to allot equity securities for cash on a non-pre-emptive basis up to an aggregate nominal amount of £4,691,541 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 up to an aggregate of 93,830,834 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as of 14 March 2018. No shares were purchased by the Company during the year. The Directors propose to renew these authorities at the 2019 Annual General Meeting for a further year.

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 2018 was 91.75p.

Further information relating to the Company's issued share capital can be found in note 20 on page 129.

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 12 months to 31 December 2018, 2,760,542 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.

Details of the Group's employee share plans are set out on pages 116 to 119.

SUBSTANTIAL SHAREHOLDINGS/INTERESTS IN THE COMPANY'S SHARES

The Company had 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 2018	% of capital	Ordinary shareholdings at 13 March 2019[1]	% of capital
Aberdeen Standard Investments (Standard Life)	94,087,279	10.00	103,924,953	11.04
Kames Capital	65,553,084	6.97	65,687,976	6.98
Baillie Gifford & Co	58,515,211	6.22	58,515,211	6.22
Ameriprise Financial Institutions Group	48,341,471	5.14	48,341,471	5.14
Franklin Templeton Investments	–	–	47,122,812	5.01
Norges Bank	28,559,869	3.03	32,904,967	3.50

1 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 pages 76 and 78 of the Directors' Remuneration Report and details of the Directors' long-term incentive awards are set out on pages 76 and 78.

Directors' Report continued

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.

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 those listed below.

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 Rück SE, Hannover (dated 20 September 2012 and as amended on 16 October 2013, 22 December 2014, 17 December 2015 and 25 May 2018 for GDPR) 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 Merica underwriting system;
- the Hannover Re treaty between Just Retirement Limited and Hannover Life Reassurance Bermuda Ltd (dated 17 December 2015 and as amended on 19 May 2017 and 22 May 2018 for GDPR) in relation to Just Retirement Limited's GIfL (non-profit pension annuities) policies written for the underwriting years 2004/05, 2005/06 and 2006/07, and underwritten using the Merica underwriting system;
- 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, 30 June 2015 and 25 May 2018 for GDPR) 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 Merica underwriting system;
- the Achmea Re treaty between Just Retirement Limited and Interpolis Reinsurance Services Limited as novated to Achmea Reinsurance Company NV (dated 1 December 2005 and as subsequently amended, most recently on 1 January 2013 and 14 May 2018 for GDPR) in relation to Just Retirement Limited's GIfL (non-profit pension annuities) policies written from 1 July 2004 to 30 June 2012 and underwritten using the Merica underwriting system; 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 2014 and underwritten using the Merica underwriting system.

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 Rück SE and Hannover Life Reassurance Bermuda Ltd treaties ("Hannover"), and in the case of the Nomura treaty, the reinsurer may terminate upon three months' prior written notice, if (i) the new controller has a long-term credit rating below BBB as rated by Standard & Poor's or if Standard & 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).

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 entails a surplus of long dated fixed interest assets when liabilities are measured on a realistic basis. Details of these derivatives are contained in note 15 to the financial statements. Disclosure with respect to financial risk is included on pages 32 to 37 of the Strategic Report and in note 33 to the financial statements.

POLITICAL CONTRIBUTIONS

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2018: £nil).

MODERN SLAVERY

In compliance with section S4(1) of the Modern Slavery Act 2015, the Group published its slavery and human trafficking statement online.

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 2019 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 58 to 61 in the Corporate Governance Report.

EMPLOYEES

Equal opportunities employment

Just 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 diversity

	Female	Male	Total	Female %	Male %
Group Executive Committee member	2	8	10	20.0%	80.0%
Senior management[1] (Bands E/F/Ind)	21	86	107	19.6%	80.4%
All other employees	465	479	944	49.3%	50.7%
Grand total[2]	488	573	1,061	46.0%	54.0%

1 Of these 107 senior managers, 54 directly report to members of the Group Executive Committee, and of these, 11 are women.
2 Excludes Non-Executive Directors and the Chairman.

Further information on colleague communications, development and diversity is given on pages 38 to 39.

ANNUAL GENERAL MEETING

The Company's 2019 AGM will be held at etc. venues, 8 Eastcheap (Monument), London EC3M 1AE on 16 May 2019 at 10:00am. The Notice is being sent separately to shareholders with this Annual Report.

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

SIMON O'HARA
Group Company Secretary
14 March 2019

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and 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 both the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs" as adopted by the "EU") and applicable law, and have elected to prepare the Parent Company financial statements on the same basis.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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 statements available to them up to the date of their approval of this report, and should be treated with caution due to the inherent uncertainties underlying forward-looking information.

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

By order of the Board

Rodney Cook
Group Chief Executive Officer
14 March 2019

David Richardson
Group Deputy Chief Executive Officer, Interim Group Chief Financial Officer and MD, UK Corporate Business
14 March 2019

FINANCIAL STATEMENTS

IN THIS SECTION

Independent Auditor's Report

to the members of Just Group plc

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Just Group plc ("the Company") for the year ended 31 December 2018 which comprise:

- The Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated statement of financial position, Consolidated statement of cash flows, and the related notes, including the accounting policies in note 1; and
- the statement of financial position of the Company, statement of changes in equity of the Company, statement of cash flows of the Company and related notes, including the accounting policies in note 1 of the Company financial statements.

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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU");
- the Parent Company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders in 2006. The period of total uninterrupted engagement is for the 13 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

No non-audit services prohibited by that standard were provided.

OVERVIEW

Materiality: Group financial statements as a whole	£6.7m (2017: £11.5m) 4.0% of normalised Group IFRS profit before tax (2017: 0.7% of Group net assets)
Coverage	94% of Group IFRS loss before tax (2017: 98%) of Group net assets
Emphasis of matter	Capital

Key audit matters		**vs 2017**
Event driven	**New:** Brexit uncertainties	▲
Recurring risks of the Group	**New:** Going concern	▲
	Valuation of insurance liabilities	◀▶
	Valuation of loans secured by residential mortgages	▲
	Valuation of reinsurance assets and deposits received from insurers	◀▶
Recurring risks of the Parent	Recoverability of Parent Company's investment in subsidiaries	◀▶

2. EMPHASIS OF MATTER – CAPITAL

We draw attention to note 34 to the financial statements which notes that 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. Whilst the publication of PS31/18 has significantly reduced the uncertainty, note 34 further notes that there is still some uncertainty as regards areas for further PRA consultation and determination. Note 34 further notes that given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the aforementioned matters, which could negatively impact on the Group's capital position. Note 34 further notes that the Group plans to strengthen its capital position during 2019 in order to continue to write the anticipated levels of new business. Our opinion is not modified in this regard.

3. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Going concern The risk compared to the prior year has increased. *Refer to page 84 (Director's Report) and page 103 (Note 1.1, financial statement disclosures) that set out the assessment undertaken by the Board and the rationale for using the going concern assumption.* In particular, that disclosure sets out that the Directors have considered a scenario where the Company ceases to write new business and continues to trade in run-off. In a run-off scenario, the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business.	**Disclosure completeness** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The Board's assessment is based on future projections of the level of excess Solvency II capital over requirements, which includes judgements over the impact of regulatory requirements (whether known or subject to change), future economic conditions and future management actions, including raising new capital. There is a risk that the judgements included in the assessment are inappropriate and do not include appropriate allowances for adverse scenarios or the execution risk associated with future plans or do not take account of the potential actions of third parties, including the Prudential Regulation Authority ("PRA"). There are also less predictable but realistic second order impacts, such as the impact of Brexit, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. **Disclosure quality** Clear and full disclosure of the assessment undertaken by the Board and the rationale for using the going concern assumption, represents a key financial statement disclosure requirement. There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Board.	Our procedures included: **Capital assessment:** We assessed the Group's capital forecasts, which, as disclosed in note 1.1, includes the need for capital issuances to support the writing of new business. In doing so we considered the impact of the PRA's PS31/18 "Solvency II: Equity Release Mortgages" published in December 2018, including the uncertainties associated with its application. We also reviewed PRA correspondence and met with the PRA to assess their view as to the amount of Solvency II capital that is likely to be required by the Group. We considered the terms of all the Group's financing arrangements, including both committed and uncommitted facilities, and assessed the likelihood and impacts arising from future capital issuances that will be required to support the delivery of the Group's business plans and how these had been factored into the forecasts. **Benchmarking assumptions and our sector experience:** We also assessed the forecasts and underlying assumptions by reference to our knowledge of the business and general economic conditions and assessed the potential risk of management bias. **Sensitivity analysis:** We challenged the Group's sensitivities applied to the forecasts by taking into account how these may be affected by the achievability of the Board's plans, including potential capital raising, general economic conditions, increased regulatory capital requirements and the potential effects of Brexit, for example on house prices and interest rates. In particular we considered the capital position of the Group under stress and without any capital issuances. **Accounting analysis:** We considered the possible circumstance of the Group ceasing to write new business. We considered it against the accounting standards' criteria for the non-going concern basis of accounting, being cessation of trading; and against generally accepted practice in such circumstances. **Regulatory assessment:** We met the PRA to hear their views on the Group's Solvency II capital forecasts and on the PRA's regulatory approach to the Group, including its powers to require actions of the Group. **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosures by reference to the key matters considered by our procedures set out above. **Our results** We found the going concern disclosure without any material uncertainty to be acceptable.

Independent Auditor's Report continued

	The risk	Our response
The impact on uncertainties due to the United Kingdom exiting the European Union on our audit *Refer to page 36 (principal risks), page 33 (viability statement), page 60 (Audit Committee Report), page 103 (accounting policy) and pages 126 and 140 (financial disclosures).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of insurance liabilities and valuation of loans secured by residential mortgages and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement 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. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge** – We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • **Sensitivity analysis** – When addressing valuation of insurance liabilities, valuation of loans secured by residential mortgages and the appropriateness of the going concern basis of preparation of the financial statements and other areas that depend on forecasts, we compared the Directors' sensitivity analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on valuation of insurance liabilities, valuation of loans secured by residential mortgages and the appropriateness of the going concern basis of preparation of the financial statements, we considered all of the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks. **Our results** As reported under valuation of insurance liabilities, valuation of loans secured by residential mortgages and the appropriateness of the going concern basis of preparation of the financial statements, we found the resulting estimates and related disclosures of insurance liabilities, loans secured by residential mortgages and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Valuation of insurance liabilities (£17,274 million; 2017: £16,633 million) The risk compared to the prior year is unchanged. *Refer to pages 58 to 59 (Audit Committee Report), page 110 (accounting policy) and pages 130 to 133 (financial disclosures).*	**Subjective valuation:** The Group has significant insurance liabilities representing 78% (31 December 2017: 75%) of the Group's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. The Group is required to use judgement in the selection of key assumptions covering both operating assumptions and economic assumptions. The key operating assumptions are mortality (determined by reference to the Group's own experience and expected levels of future mortality), and the expected level of future expenses (which is based on the expected future costs of administering the underlying policies). The key economic assumption is credit risk, based on the Group's view of expected future investment defaults. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 21) disclose the sensitivity estimated by the Group. **Calculation error and data capture** The Group uses complex actuarial models to calculate policyholder liabilities. There is a risk that the modelling does not appropriately reflect the model specifications and/or the product features due to incomplete data input into the model and/or unauthorised or erroneous changes to the models.	We used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included: **Control design and performance:** • Testing of the design, implementation and operating effectiveness of key controls over the processes to determine the valuation of the policyholder liabilities including the change management controls over the actuarial models. • Testing of the design, implementation and operating effectiveness of the reconciliation controls to ensure completeness of data flows from policy administration systems and data warehouses to the actuarial models. **Methodology choice:** We have assessed the appropriateness of the methodology for selecting assumptions and calculating the policyholder liabilities. This included: • applying our understanding of developments in the business and the impact of changes in methodology on the selection of assumptions; • comparing changes in methodology to our expectations derived from market experience; and • evaluating the analysis of the movements in insurance liabilities during the year, including consideration of whether the movements were in line with the methodology and assumptions adopted. **Benchmarking assumptions and sector experience:** • Evaluating the Group's historic mortality data used to prepare the Group's mortality experience analysis, together with industry data on expectations of future mortality improvements and assessing whether this supports the assumptions adopted. • 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 expectations derived from market experience. • Assessing whether the expense assumptions reflect the expected future costs of administering the underlying policies by analysing current year unit costs, considering the expected future level of expense inflation and testing the appropriateness of the Group's best estimate of future cost savings based on management actions and forecast budgets. **Independent reperformance:** • Using our own valuation models to calculate the insurance liability balance for a sample of policies across the reserves and comparing to the balances recorded by the Group. **Assessing transparency:** • Considering whether the Group's disclosures in relation to the assumptions used in the calculation of insurance liabilities appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs. **Our results** We found the valuation of insurance liabilities to be acceptable (2017: acceptable).

Independent Auditor's Report continued

	The risk	Our response
Valuation of loans secured by residential mortgages (£7,192 million; 2017: £6,833 million) The risk compared to the prior year has increased. *Refer to page 59 (Audit Committee Report), page 109 (accounting policy) and pages 122 and 126 (financial disclosures).*	**Subjective valuation** The loans are measured at fair value determined through projecting future discounted cash flows using internally developed models. The Group is required to use judgement in the selection of key assumptions in determining the projected cash flows and in determining the liquidity premium applied to the discount rate. The key assumptions include property price inflation, property price volatility, mortality (determined by reference to the Group's own experience and expected levels of future mortality) and the liquidity premium added to the swap curve. The risk significance has increased compared to the prior year given the increased uncertainty with respect to the selection of long-term property related assumptions used in the valuation of loans secured by residential mortgages. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of loans secured by residential mortgages has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Group. **Calculation error and data capture** The Group uses complex actuarial models to calculate the valuation of loans secured by residential mortgages. There is a risk that the modelling does not appropriately reflect the model specifications and/or the product features due to incomplete data input into the model and/or unauthorised or erroneous changes to the models.	We used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included: **Control design and performance:** • Testing of the design, implementation and operating effectiveness of key controls over the processes to determine the valuation of loans secured by residential mortgages including the change management controls over the actuarial models. • Testing of the design, implementation and operating effectiveness of the reconciliation controls to ensure completeness of data flows from policy administration systems and data warehouses to the actuarial models. **Benchmarking assumptions and sector experience** • Evaluating the appropriateness of the property price inflation assumption used within the valuation process by assessing the expected property price inflation with reference to market data and industry benchmarks. • Assessing the reasonableness of the property price volatility assumption by considering historic volatility in property prices and comparing the assumption to industry benchmarks. • Evaluating the Group's historic mortality data used to prepare the Group's mortality experience analysis, together with industry data on expectations of future mortality improvements and assessing whether this supports the assumptions adopted. • Assessing the appropriateness of the liquidity premium applied to the risk-free rate, by reference to industry practice and our expectations derived from market experience. **Independent reperformance:** • Using our own valuation models to value the loans secured by residential mortgages balance for a sample of policies and comparing to the balances recorded by the Group. **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. **Our results** We found the valuation of loans secured by residential mortgages to be acceptable (2017: acceptable).

	The risk	Our response
Valuation of reinsurance assets and deposits received from insurers Reinsurance asset (£4,239 million; 2017: £5,285 million) Deposits received from insurers (£3,680 million; 2017: £4,556 million) The risk compared to the prior year is unchanged. *Refer to pages 58 to 59 (Audit Committee Report), page 110 (accounting policy) and pages 130 to 135 (financial disclosures).*	**Accounting treatment** The Group needs to determine, based on the underlying cash flows and complex treaty terms whether the deposits received from reinsurers should be accounted for as insurance contracts or as financial liabilities, which is dependent upon whether there is a transfer of significant insurance risk. The classification of the treaty impacts the valuation basis applied. **Subjective valuation** Reinsurance assets and deposits received from insurers are measured at fair value. The valuation of the reinsurance assets is sensitive to movements in mortality and economic assumptions and the valuation of the deposits received from reinsurers is driven by the discount rate applied to the related cash flows. The calculation of these fair values involves significant judgement over uncertain future outcomes. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of reinsurance assets and deposits received from insurers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: **Accounting analysis:** • Evaluating the classification of deposits from reinsurers under relevant accounting standards as insurance contracts or financial liabilities based on the underlying cash flows and terms of the treaties. We used our own actuarial specialists to assist us in performing the following procedures in this area. **Methodology implementation:** • Comparing the methodology applied for the valuation of the reinsurance assets and deposits received from reinsurers to confirm that it is appropriate and is consistent with the terms and conditions set out in the reinsurance treaties. **Expectation vs outcome:** • Assessing the Group's analysis of the movements in reinsurance assets and deposits received from reinsurers' liabilities with reference to the movement in policyholder liabilities driven by changes in mortality and economic assumptions, increase in new business and recorded claims. **Assessing transparency:** • Considering the adequacy of the Group's disclosures in relation to the assumptions used in the calculation of reinsurance assets and deposits received from reinsurers, in particular the sensitivities of these assumptions to alternative scenarios and inputs. **Our results** We found the valuation of reinsurance assets and deposits received from reinsurers to be acceptable (2017: acceptable).
Recoverability of Parent Company's investment in subsidiaries (Parent specific risk) (£1,343 million; 2017: £1,135 million) The risk compared to the prior year is unchanged. *Refer to page 60 (Audit Committee Report), page 148 (accounting policy) and page 148 (financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 91% (2017: 91%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	Our procedures included: **Tests of detail:** • Comparing the carrying amount of a sample of the highest value investments, representing 100% (2017: 100%) of the total investment balance with the relevant subsidiaries' draft financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • Considering alternative bases for the calculation of the recoverable amount, including through discounted cash flow methodologies and market based price multiples. **Assessing subsidiary audits:** • Assessing the audit work performed on that sample of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets. **Our results** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2017: acceptable).

Independent Auditor's Report continued

4. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £6.7 million (2017: £11.5 million) determined with reference to a benchmark of group IFRS profit before tax, normalised to exclude the effects of short-term investment fluctuations and economic changes, of which it represents 4% (2017: 0.7% of group net assets).

We have changed the benchmark for setting materiality from net assets to a normalised IFRS profit before tax measure as the Group's merger and integration activities are largely complete and therefore we consider that a profit based measure is more appropriate.

Materiality for the Parent Company financial statements as a whole was set at £6 million (2017: £8 million) in line with component materiality, determined by reference to company net assets, of which it represents 0.6% (2017: 0.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.34 million (2017: £0.58 million), in addition to other identified misstatements below that threshold that warranted reporting on qualitative grounds.

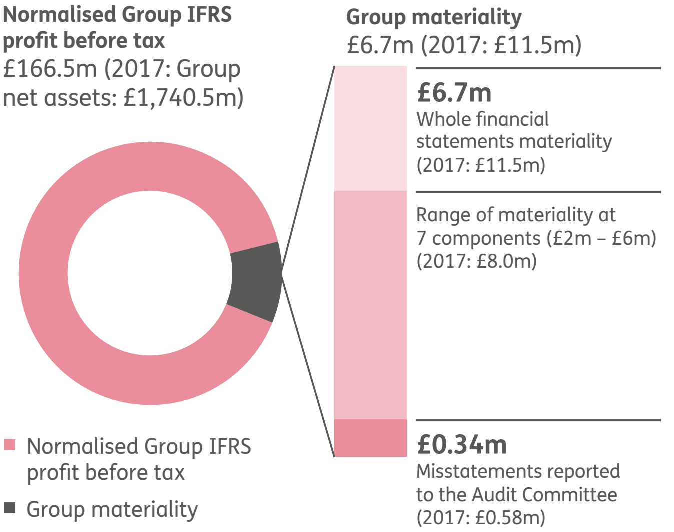
Of the Group's 27 (2017: 28) reporting components, we subjected seven (2017: seven) to full scope audits for group purposes.

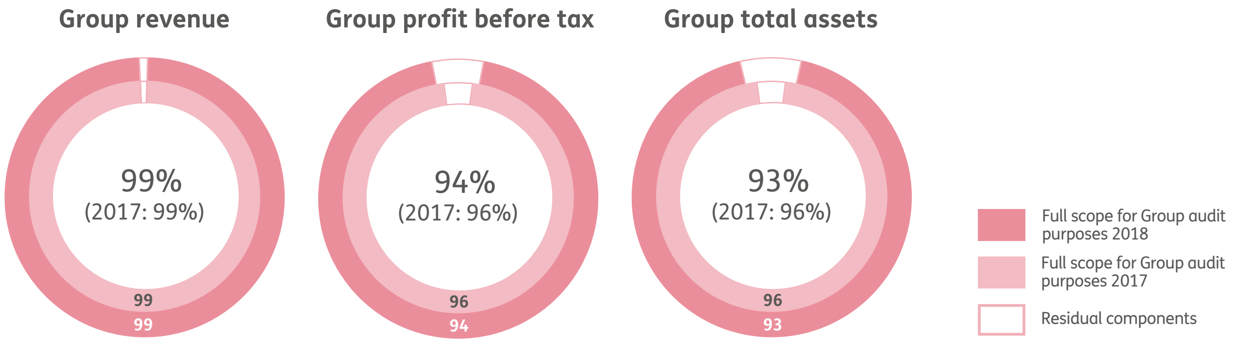
The components within the scope of our work accounted for the percentages illustrated below.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatements within these.

The Group audit team approved component materiality, which was set between £2 million and £6 million (31 December 2017: £8 million), having regard to the mix of size and risk profile of the Group across the components. The work on seven (2017: seven) components, including the audit of the Parent Company, was performed by the Group and component teams based at the Company's offices in London and Reigate.

The work on four of the seven components (2017: none of the seven components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. Meetings were held with these component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.





5. GOING CONCERN

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:
- we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 84 is materially inconsistent with our audit knowledge.

Other than that in a scenario where the Company ceases to write new business and continues to trade in run-off, and the going concern basis continues to be applicable because the Group would be continuing to trade with its existing business, which we draw attention to in section 3, we have nothing to report in these respects.

6. OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:
- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

We draw attention to the disclosure in the viability statement that the Group plans to strengthen its capital position during 2019 and beyond in order to continue to write new business and that if adequate capital is not available to fund new business, the scope of the Group's business would change. Other than that, based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the directors' confirmation within the viability statement on page 33 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. Other than the matter referred to above, we have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:
- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent Auditor's Report continued

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 88, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation, we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

14 March 2019

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Note	**Year ended 31 December 2018 £m**	Year ended 31 December 2017 £m
Gross premiums written	6	**2,176.9**	1,893.4
Reinsurance premiums ceded		**(8.0)**	(17.1)
Reinsurance recapture		**543.3**	467.5
Net premium revenue		**2,712.2**	2,343.8
Net investment income	2	**142.6**	621.1
Fee and commission income	6	**8.2**	5.8
Total revenue		**2,863.0**	2,970.7
Gross claims paid		**(1,185.3)**	(1,098.8)
Reinsurers' share of claims paid		**435.4**	460.7
Net claims paid		**(749.9)**	(638.1)
Change in insurance liabilities:			
Gross amount		**(642.9)**	(884.7)
Reinsurers' share		**(502.8)**	(304.3)
Reinsurance recapture		**(543.3)**	(467.5)
Net change in insurance liabilities		**(1,689.0)**	(1,656.5)
Change in investment contract liabilities	22	**0.4**	(6.3)
Acquisition costs	3	**(52.4)**	(43.1)
Other operating expenses	4	**(254.8)**	(238.4)
Finance costs	5	**(202.8)**	(207.0)
Total claims and expenses		**(2,948.5)**	(2,789.4)
(Loss)/profit before tax	6	**(85.5)**	181.3
Income tax	7	**21.2**	(26.2)
(Loss)/profit for the year		**(64.3)**	155.1
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7,14	**4.4**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(0.4)**	–
Other comprehensive income for the year, net of income tax		**4.0**	–
Total comprehensive (loss)/income for the year		**(60.3)**	155.1
(Loss)/profit attributable to:			
Equity holders of Just Group plc		**(63.7)**	155.1
Non-controlling interest	35	**(0.6)**	–
(Loss)/profit for the year		**(64.3)**	155.1
Total comprehensive (loss)/income attributable to:			
Equity holders of Just Group plc		**(59.7)**	155.1
Non-controlling interest	35	**(0.6)**	–
Total comprehensive (loss)/income for the year		**(60.3)**	155.1
Basic earnings per share (pence)	11	**(6.83)**	16.68
Diluted earnings per share (pence)	11	**(6.83)**	16.54

The notes on pages 103 to 144 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018

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

Year ended 31 December 2017	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m
At 1 January 2017		93.3	91.7	348.4	532.7	(1.6)	546.1	1,610.6
Profit for the year		–	–	–	–	–	155.1	155.1
Other comprehensive income for the year, net of income tax		–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	155.1	155.1
Contributions and distributions								
Shares issued	20	0.5	2.5	–	–	–	–	3.0
Dividends	12	–	–	–	–	–	(33.2)	(33.2)
Share-based payments		–	–	–	–	(3.4)	8.4	5.0
Total contributions and distributions		0.5	2.5	–	–	(3.4)	(24.8)	(25.2)
At 31 December 2017		93.8	94.2	348.4	532.7	(5.0)	676.4	1,740.5

1 Includes currency translation reserve.

The notes on pages 103 to 144 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2018

	Note	2018 £m	2017 £m
Assets			
Intangible assets	13	**171.0**	193.5
Property, plant and equipment	14	**21.4**	19.6
Financial investments	15	**19,252.5**	18,287.1
Investment in joint ventures and associates		**0.3**	0.3
Reinsurance assets	21	**4,239.2**	5,285.3
Deferred tax assets	16	**18.6**	13.0
Current tax assets	28	**42.1**	3.7
Prepayments and accrued income	17	**67.9**	56.5
Insurance and other receivables	18	**18.9**	44.5
Cash and cash equivalents	19	**113.9**	261.4
Total assets		**23,945.8**	24,164.9
Equity			
Share capital	20	**94.1**	93.8
Share premium	20	**94.5**	94.2
Reorganisation reserve		**348.4**	348.4
Merger reserve	20	**532.7**	532.7
Revaluation reserve	14,16	**4.4**	–
Shares held by trusts		**(6.2)**	(5.0)
Accumulated profit		**596.5**	676.4
Total equity attributable to owners of Just Group plc		**1,664.4**	1,740.5
Non-controlling interest	35	**(0.6)**	–
Total equity		**1,663.8**	1,740.5
Liabilities			
Insurance liabilities	21	**17,273.8**	16,633.0
Investment contract liabilities	22	**197.8**	220.7
Loans and borrowings	23	**573.4**	343.9
Other financial liabilities	24	**4,063.3**	5,045.4
Deferred tax liabilities	16	**32.2**	39.2
Other provisions	27	**0.7**	2.1
Current tax liabilities	28	**3.5**	9.2
Accruals and deferred income	29	**59.0**	45.4
Insurance and other payables	30	**78.3**	85.5
Total liabilities		**22,282.0**	22,424.4
Total equity and liabilities		**23,945.8**	24,164.9

The notes on pages 103 to 144 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 March 2019 and were signed on its behalf by:

David Richardson
Director

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(85.5)**	181.3
Loss on revaluation of land and buildings		**2.9**	–
Depreciation of equipment		**1.4**	1.8
Loss on disposal of equipment		**–**	3.1
Amortisation of intangible assets		**24.7**	25.2
Share-based payments		**7.4**	5.0
Interest income		**(655.2)**	(636.4)
Interest expense		**202.8**	207.0
Increase in financial investments		**(720.2)**	(410.3)
Decrease in reinsurance assets		**1,046.1**	771.8
Increase in prepayments and accrued income		**(11.4)**	(3.2)
Decrease in insurance and other receivables		**25.1**	92.5
Increase in insurance liabilities		**640.8**	885.0
Decrease in investment contract liabilities		**(22.9)**	(1.6)
Decrease in deposits received from reinsurers		**(875.7)**	(675.9)
Increase in accruals and deferred income		**10.4**	11.0
Decrease in insurance and other payables		**(7.2)**	(27.6)
Decrease in other creditors		**(91.2)**	(22.6)
Interest received		**375.9**	399.0
Interest paid		**(159.2)**	(170.8)
Taxation paid		**(36.5)**	(46.8)
Net cash (outflow)/inflow from operating activities		**(327.5)**	587.5
Cash flows from investing activities			
Additions to internally generated intangible assets		**(2.2)**	(1.7)
Acquisition of property and equipment		**(0.8)**	(7.4)
Net cash outflow from investing activities		**(3.0)**	(9.1)
Cash flows from financing activities			
Increase in borrowings (net of costs)		**228.5**	–
Interest paid		**(37.1)**	(32.6)
Dividends paid		**(24.4)**	(33.2)
Issue of ordinary share capital (net of costs)		**0.6**	3.0
Net cash inflow/(outflow) from financing activities		**167.6**	(62.8)
Net (decrease)/increase in cash and cash equivalents		**(162.9)**	515.6
Cash and cash equivalents at start of year		**1,159.3**	643.7
Cash and cash equivalents at end of year		**996.4**	1,159.3
Cash available on demand		**113.9**	261.4
Units in liquidity funds		**882.5**	897.9
Cash and cash equivalents at end of year	19	**996.4**	1,159.3

The notes on pages 103 to 144 are an integral part of these financial statements.

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

General information

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

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union effective for accounting periods commencing on or before 1 January 2018 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

As part of their assessment of going concern at 31 December 2018 the Directors have considered the development of CP13/18 "Solvency II: Equity Release Mortgages" (the "CP"). CP13/18 was published by the PRA in July 2018 and set out a number of parameters relating to the calculation of the matching adjustment including volatility and deferment rate, with implementation expected for the December 2018 year end. This created a significant level of uncertainty for the Group in relation to the treatment of its Lifetime Mortgage assets in the Solvency II balance sheet. At the time of publishing the Group's interim results for 2018 on 6 September 2018, the consultation period for CP13/18 was still open. When carrying out the assessment of going concern in relation to the interim results for 2018, the Directors concluded that although the going concern basis of preparation was appropriate, the potential outcome of the CP, together with any actions that the PRA might take, represented a material uncertainty.

In December 2018 the PRA published PS31/18 "Solvency II: Equity Release Mortgages" (the "PS") setting out its conclusions, including a number of key changes from the original CP which are material to the Group, such as the deferral of the implementation date to 31 December 2019, confirmation that transitional measures for technical provisions for pre-2016 business will be recognised over the remaining transitional period to 31 December 2031, and a requirement that firms must meet an effective value test using a volatility rate of 13% and a deferment rate of 0% at the end of 2019 and that the deferment rate should increase to 1% by year end 2021. The PS also noted a number of areas for further consideration, in particular the calculation of the SCR.

As part of the assessment of going concern for December 2018, the Directors have considered the impact of the PS. The PS has significantly reduced the uncertainty created by the CP and provides clarity on the calculation of the matching adjustment for future periods, which has enabled the Group to model the impact of the PS in its latest capital projections, business plan and liquidity forecasts.

There is still some uncertainty as regards areas for further PRA consultation and determination, which include the process by which the volatility and deferment rates will be updated and how the effective value test applies in stress, but the Board considers, including having considered the matters below, that the material uncertainty in relation to going concern which was disclosed in the Group's interim results for 2018 does not exist at the 2018 year end.

The Directors have also considered the following in their assessment:

- The projected liquidity position of the Group as at 31 December 2018, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements, including the Restricted Tier 1 debt and equity placings, to write anticipated levels of new business. This included assessing the risk that the Group may not be able to raise new capital.
- Eligible own funds being in excess of minimum capital requirements in a combined stress scenario with a disruptive Brexit, no capital strengthening and reduced new business volumes.
- The findings of the 2018 Group Own Risk and Solvency Assessment ("ORSA"), and in particular sensitivity to the most significant risks faced by the Group, including the risks from the open areas of PS31/18 noted earlier and from the UK's withdrawal from the European Union.
- Scenarios, including those in the ORSA, where the Group ceases to write new business. In such a run-off scenario, this included any changes required in the valuation of insurance liabilities as a result of changes in assumptions. However, in the run-off scenario the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business (e.g. collect premiums and administer policies) rather than ceasing to trade.
- The Group plan, which was approved by the Board in the first quarter of 2019, and in particular the forecast regulatory solvency position calculated on a Solvency II basis, which included strengthening the Group's capital base to support its new business franchise.

Taking the above matters into account the Directors of the Company have concluded that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, including in the event of the run-off scenarios considered above. Therefore, the financial statements of Just Group plc have been prepared on a going concern basis.

The following new accounting standards, interpretations and amendments to existing accounting standards have been adopted by the Group with effect from 1 January 2018:

- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

The amendments to IFRS 4 allow the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2021. This is intended to align with the effective date of IFRS 17, the replacement insurance contracts standard. The IASB has recommended that the deferral period for IFRS 9 and the effective date of IFRS 17 are extended to 1 January 2022. This option, which the Group has adopted, is subject to meeting criteria relating to the predominance of insurance activity. The predominance of insurance activity has been assessed at 31 December 2016, the end of the annual period during which the acquisition of Partnership Assurance Group plc took place and significantly changed the magnitude of the Group's activities. At 31 December 2016, the Group's insurance liabilities in relation to its total liabilities were 95% and deferral of IFRS 9 was applicable.

Notes to the consolidated financial statements continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

If the Group had adopted IFRS 9 it would continue to classify financial assets at fair value through profit or loss. Therefore, under IFRS 9 all financial assets would continue to be recognised at fair value through profit or loss and the fair value at 31 December 2018 would be £19,252.5m. As well as financial assets, the Group also holds Insurance and other receivables and Cash and cash equivalents assets, with contractual terms that give rise to cash flows on specified dates; the fair value of these investments is considered to be materially consistent with their carrying value, as disclosed in notes 18 and 19.

- IFRS 15, Revenue from Contracts with Customers.

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. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The main source of non-insurance contract income in the year was fee and commission income amounting to £8.2m. The Group's previous accounting policy was to recognise fee and commission income when the service is rendered. Therefore, the adoption of IFRS 15 does not result in a material difference to when revenue is recognised by the Group.

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

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

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 at 31 December 2018 would be to recognise right of use assets and lease payment liabilities on the balance sheet with an approximate value of £13.3m.

- IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by the EU, IASB recommended extension of implementation date to 1 January 2022).

IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their valuation, income statement presentation and disclosure. The Group has initiated a project to assess the financial and operational implications of the standard and to prepare for adoption.

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES continued

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

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, 15(a) and (d)	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, and the future costs of administering the loan portfolio. The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the risk-free curve and used to discount the mortgage cash flows.
1.19, 21, 24	Measurement of reinsurance assets and deposits received from reinsurers arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets include the projected future cash flows arising from reinsurers' share of the Group's insurance liabilities. The key assumptions used in the valuation include discount rates and mortality experience, as described below, and assumptions around the reinsurers' ability to meet its claim obligations. Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking account of an appropriate discount rate for the timing of the expected cash flows of the liabilities. For deposits received from reinsurers measured at fair value through profit or loss, the key assumption used in the valuation is the discount rate. For deposits received from reinsurers measured using insurance rules under IFRS 4, the key assumptions used in the valuation include discount rates and mortality experience.
1.21, 21(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance	The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of administering payments to policyholders. The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments. The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Further detail can be found in note 21.
1.16, 13	Assessment of carrying value of intangible assets recognised on acquisition of Partnership Assurance Group ("PAG")	Intangible assets recognised on the acquisition of PAG in 2016, including the value of the acquired in-force business, are reviewed for indicators of impairment and, if such indicators exist, are tested for impairment. The key impairment testing assumptions include the choice of discount rate used, which represents a weighted-average cost of capital determined using a capital asset pricing model approach.

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, GIfL, Care Plans, Protection, LTM and Capped Drawdown products.

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

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

- the writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the Life Company (this is referred to as the insurance segment in note 6, Segmental reporting);
- the arranging of guaranteed income for life contracts and lifetime mortgages through regulated advice and intermediary services; and
- the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

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

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

1.5 Foreign currencies

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

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

1.6 Classification of insurance and investment contracts

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.7 Premium revenue

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

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

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

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

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

Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due for payment under the terms of the contract. Reinsurance premiums previously incurred can be recaptured under certain conditions, notably once reinsurance financing for an underwriting year is fully repaid.

1.8 Net investment income

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

Interest income is recognised as it accrues.

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

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

1.9 Revenue from contracts with customers

The Group recognises revenue from contracts with customers in accordance with IFRS 15, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided. Revenue from contracts with customers comprises fee income on initial advances made on loans secured by residential mortgages, investment management fees, administration fees, software licensing fees and commission.

1.10 Claims paid

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

Death claims are accounted for when notified.

1.11 Acquisition costs

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

1.12 Leases

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.

Notes to the consolidated financial statements continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.14 Employee benefits continued

Share-based payment transactions

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

1.15 Earnings per share

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

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

1.16 Intangible assets

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

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

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

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

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

PrognoSys™ is the Group's proprietary underwriting engine. The Group has over two million person-years of experience collected over 20 years of operations. It is enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives, which range from two to 16 years. The useful lives are determined by considering relevant factors, such as usage of the asset, potential obsolescence, competitive position and stability of the industry.

For intangible assets with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

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

Intangible asset	Estimated useful economic life	Valuation method
PVIF	Up to 16 years	Estimated value in-force using European embedded value model
Brand	2 – 5 years	Estimated royalty stream if the rights were to be licensed
Distribution network	3 years	Estimated discounted cash flow
Software	2 – 3 years	Estimated replacement cost
Intellectual property	12 – 15 years	Estimated replacement cost

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.16 Intangible assets continued

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

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

1.17 Property, plant and equipment

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

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

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

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

Plant and equipment	Estimated useful economic life
Computer equipment	3 – 4 years
Furniture and fittings	2 – 10 years

1.18 Financial investments

Classification

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

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

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

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

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

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

Use of fair value

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

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

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

Notes to the consolidated financial statements continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.18 Financial investments continued

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 years, such amounts are classified as "reinsurance finance" and included in other financial liabilities in the Consolidated statement of financial position.

Where reinsurance contracts entered into by the Group require deposits received from reinsurers to be repaid, such amounts are classified as "deposits received from reinsurers" and included in other financial liabilities in the Consolidated statement of financial position. Where the liability carries no insurance risk, it is initially recognised at fair value at the date the deposited asset is recognised and subsequently re-measured at fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated statement of comprehensive income. Fair value is determined as the amount payable discounted from the first date that the amount is required to be paid. All other deposits received from reinsurers are valued in accordance with the terms of the reinsurance contracts under IFRS 4, which take into account an appropriate discount rate for the timing of expected cash flows. It should be noted that the reinsurance recoverable amount is capped at the value of the deposit anticipating that underwriting years will eventually be recaptured.

Amounts receivable/payable

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

1.20 Cash and cash equivalents

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

1.21 Equity

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

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

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

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

1.22 Insurance liabilities

Measurement

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

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.22 Insurance liabilities continued

Liability adequacy test

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

1.23 Investment contract liabilities

Investment contracts are measured at fair value through profit or loss in accordance with IAS 39. The fair value of investment contracts is estimated using an internal model and determined on a policy-by-policy basis using a prospective valuation of future Retirement Income benefit and expense cash flows, 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 or loss over the period to maturity at the effective rate of interest required to recognise the discounted estimated cash flows to maturity.

1.25 Other provisions

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

1.26 Taxation

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

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

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

2 NET INVESTMENT INCOME

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Interest income:		
Assets at fair value through profit or loss	**655.2**	636.4
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	**(447.3)**	(44.0)
Derivative financial instruments (note 25)	**(65.3)**	28.7
Total net investment income	**142.6**	621.1

3 ACQUISITION COSTS

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Commission	**19.2**	15.8
Other acquisition expenses	**33.2**	27.3
Total acquisition costs	**52.4**	43.1

Notes to the consolidated financial statements continued

4 OTHER OPERATING EXPENSES

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Personnel costs (note 9)	**118.7**	113.8
Investment expenses and charges	**16.3**	11.2
Depreciation of equipment	**1.4**	1.8
Operating lease rentals: land and buildings	**2.4**	4.2
Acquisition integration costs	**–**	25.6
Amortisation of intangible assets	**24.7**	25.2
Other costs	**91.3**	56.6
Total other operating expenses	**254.8**	238.4

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

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Fees payable for the audit of the Parent Company and consolidated accounts	**125**	41
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**885**	835
Corporate finance services	**1,155**	175
Audit-related assurance services	**653**	639
Other assurance services	**222**	234
Auditor remuneration	**3,040**	1,924

Audit-related assurance services mainly include fees relating to the audit of the Group's Solvency II regulatory returns. Other assurance services mainly include fees relating to review procedures in relation to the Group's interim results. Corporate finance services relate to due diligence and reporting accountant services. Details of the process for safeguarding the objectivity independence of the Group's external auditor are given in the Audit Committee Report.

5 FINANCE COSTS

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Interest payable on deposits received from reinsurers	**159.2**	170.8
Interest payable on subordinated debt	**39.9**	32.0
Other interest payable	**3.7**	4.2
Total finance costs	**202.8**	207.0

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

6 SEGMENTAL REPORTING

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. The underlying operating profit represents a combination of both the profit generated from new business written in the year and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

6 SEGMENTAL REPORTING continued

New business profits represent expected investment returns on financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in-force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, corporate bond defaults and, with respect to lifetime mortgages, no-negative equity guarantee and early redemptions.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, and restructuring costs, since these items arise outside the normal course of business in the year. Adjusted operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes, and gains and losses on the revaluation of land and buildings, are also disclosed outside adjusted operating profit.

Segmental analysis

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plans and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and lifetime mortgage advances.

The professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

The Group operates in one material geographical segment, which is the United Kingdom.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2018			Year ended 31 December 2017		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**243.7**	**–**	**243.7**	169.8	–	169.8
In-force operating profit	**69.2**	**2.5**	**71.7**	71.0	0.3	71.3
Underlying operating profit	**312.9**	**2.5**	**315.4**	240.8	0.3	241.1
Operating experience and assumption changes	**(33.5)**	**–**	**(33.5)**	34.6	–	34.6
Other Group companies' operating results	**–**	**(14.6)**	**(14.6)**	–	(14.0)	(14.0)
Development expenditure	**(6.4)**	**(2.3)**	**(8.7)**	–	(1.1)	(1.1)
Reinsurance and financing costs	**(45.8)**	**(2.5)**	**(48.3)**	(43.4)	3.4	(40.0)
Adjusted operating profit before tax	**227.2**	**(16.9)**	**210.3**	232.0	(11.4)	220.6
Non-recurring and project expenditure	**(4.3)**	**(15.3)**	**(19.6)**	(10.9)	(0.7)	(11.6)
Investment and economic (losses)/profits	**(251.0)**	**(1.0)**	**(252.0)**	22.6	–	22.6
(Loss)/profit before acquisition transaction and amortisation costs, before tax	**(28.1)**	**(33.2)**	**(61.3)**	243.7	(12.1)	231.6
Acquisition integration costs			**–**			(25.6)
Amortisation costs			**(24.2)**			(24.7)
(Loss)/profit before tax			**(85.5)**			181.3

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £141.3m arose from the insurance segment and £1.3m arose from other segments (2017: £621.0m and £0.1m respectively). Fee and commission income of £5.0m arose from the insurance segment and £3.2m arose from other segments (2017: £1.6m and £4.2m respectively).

Notes to the consolidated financial statements continued

6 SEGMENTAL REPORTING continued

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's products are from one material geographical segment, which is the United Kingdom. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Defined Benefit De-risking Solutions ("DB")	**1,314.2**	997.8
Guaranteed Income for Life contracts ("GIfL")	**786.5**	820.5
Care Plans ("CP")	**72.8**	71.6
Protection	**3.4**	3.5
Gross premiums written	**2,176.9**	1,893.4

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Drawdown	**51.0**	51.2
LTM loans advanced	**602.1**	510.0

Reconciliation of gross premiums written to new business sales

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Gross premiums written	**2,176.9**	1,893.4
Regular premiums recognised on a single premium equivalent basis in new business sales	**(2.6)**	2.5
Drawdown and LTM new business sales not included in gross premiums written	**653.1**	561.2
New business sales	**2,827.4**	2,457.1

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018			Year ended 31 December 2017		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
Product/service						
LTM set-up fees	**0.5**	**–**	**0.5**	0.6	–	0.6
LTM commission and advice fees	**–**	**1.7**	**1.7**	–	1.7	1.7
GIfL commission	**–**	**1.8**	**1.8**	–	1.2	1.2
FPP fees	**0.6**	**0.1**	**0.7**	0.3	0.1	0.4
Other	**0.4**	**3.1**	**3.5**	1.0	0.9	1.9
Timing of revenue recognition	**1.5**	**6.7**	**8.2**	1.9	3.9	5.8
Products transferred at point in time	**0.9**	**6.4**	**7.3**	1.6	3.9	5.5
Products and services transferred over time	**0.6**	**0.3**	**0.9**	0.3	–	0.3
Revenue from contracts with customers	**1.5**	**6.7**	**8.2**	1.9	3.9	5.8

All revenue from contracts with customers is from the UK.

7 INCOME TAX

Income tax recognised in profit or loss

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Current taxation		
Current year	**(9.8)**	44.2
Adjustments in respect of prior periods	**2.1**	(8.1)
Total current tax	**(7.7)**	36.1
Deferred taxation		
Origination and reversal of temporary differences	**(12.9)**	(7.3)
Adjustments in respect of prior periods	**(0.9)**	(2.5)
Rate change	**0.3**	(0.1)
Total deferred tax	**(13.5)**	(9.9)
Total income tax recognised in profit or loss	**(21.2)**	26.2

The net income tax credit of £21.2m includes a tax credit of £9.8m for carry back of current year tax losses of £51.6m against 2017 taxable profits for overpayment relief of £15.9m and tax provision for the HMRC transfer pricing enquiry of £3.3m.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The deferred tax assets and liabilities at 31 December 2018 have been calculated based on the rate at which they are expected to reverse.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
(Loss)/profit on ordinary activities before tax	**(85.5)**	181.3
Income tax at 19% (2017: 19.25%)	**(16.2)**	34.9
Effects of:		
Expenses not deductible for tax purposes	**1.0**	0.4
Rate change	**0.1**	0.4
Higher rate for overseas income	**(0.3)**	–
Unrecognised deferred tax asset	**1.3**	0.5
Losses utilised/carried back	**(0.1)**	0.6
Adjustments in respect of prior periods	**1.2**	(10.6)
Deferred tax not previously recognised	**(9.1)**	–
Other	**0.9**	–
Total income tax recognised in profit or loss	**(21.2)**	26.2

The rate change of £0.1m is largely due to deferred tax recognised at 17% rather than current rate of 19%.

Income tax recognised in other comprehensive income

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Deferred taxation		
Revaluation of land and buildings	**0.9**	–
Total deferred tax	**0.9**	–
Total income tax recognised in other comprehensive income	**0.9**	–

Notes to the consolidated financial statements continued

7 INCOME TAX continued

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. Since 1 January 2013, life insurance tax has been based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime. Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus which are not excluded items for taxation, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten year period from 1 January 2013. Similarly, the resulting cumulative transitional adjustments for tax purposes in adoption of IFRS will be amortised on a straight-line basis over a ten year period from 1 January 2016. The tax charge for the year to 31 December 2018 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2017: £2.5m).

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

8 REMUNERATION OF DIRECTORS

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £4.4m (2017: £5.7m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2017: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.7m (2017: £2.3m). The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. Two Directors exercised share options during the year with an aggregate gain of £5k (2017: two Directors exercised options with an aggregate gain of £1,735k).

9 STAFF NUMBERS AND COSTS

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

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Directors	**9**	12
Senior management	**120**	116
Staff	**1,007**	963
Average number of staff	**1,136**	1,091

The aggregate personnel costs were as follows:

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Wages and salaries	**96.6**	90.3
Social security costs	**9.0**	8.9
Other pension costs	**4.3**	4.3
Share-based payment expense	**8.8**	10.3
Total personnel costs	**118.7**	113.8

The Company does not have any employees.

10 EMPLOYEE BENEFITS

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £4.3m (2017: £4.3m).

Employee share plans

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

Share options

Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP")

The Group has made awards under the LTIP to Executive Directors and other senior managers. Awards are made in the form of nil-cost options which become exercisable on the third anniversary of the grant date, subject to the satisfaction of service and performance conditions set out in the Directors' Remuneration Report. Options are exercisable until the tenth anniversary of the grant date. Options granted since 2017 are subject to a two year holding period after the options have been exercised.

The options are accounted for as equity-settled schemes.

10 EMPLOYEE BENEFITS continued

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

	Year ended 31 December 2018 Number of options	Year ended 31 December 2017 Number of options
Outstanding at start of year	**15,736,774**	17,157,164
Granted	**4,498,115**	4,718,136
Forfeited	**(23,303)**	(1,450,989)
Exercised	**(357,912)**	(2,439,772)
Expired	**(2,258,366)**	(2,247,765)
Outstanding at end of year	**17,595,308**	15,736,774
Exercisable at end of year	**3,203,315**	1,117,994
Weighted-average share price at exercise (£)	**1.11**	1.57
Weighted-average remaining contractual life (years)	**1.13**	1.45

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

During the year to 31 December 2018, awards of LTIPs were made on 29 March 2018. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the LTIP are as follows:

Fair value at grant date	**£1.03**
Option pricing models used	**Black-Scholes, Stochastic, Finnerty**
Share price at grant date	**£1.36**
Exercise price	**Nil**
Expected volatility – TSR performance	**37.41%**
Expected volatility – holding period	**39.52%**
Option life	**3 years + 2 year holding period**
Dividends	**Nil**
Risk-free interest rate – TSR performance	**0.87%**
Risk-free interest rate – holding period	**1.11%**

A Black-Scholes option pricing model is used where vesting is related to an earnings per share target, a Stochastic model is used where vesting is related to a total shareholder return target, and a Finnerty model is used to model the holding period.

Deferred share bonus plan ("DSBP")
The DSBP is operated in conjunction with the Group's short-term incentive plan for Executive Directors and other senior managers of the Company or any of its subsidiaries, as explained in the Directors' Remuneration Report. Awards are made in the form of nil-cost options which become exercisable on the third anniversary, and until the tenth anniversary, of the grant date.

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2018 Number of options	Year ended 31 December 2017 Number of options
Outstanding at start of year	**2,959,716**	2,257,544
Granted	**925,734**	1,493,790
Exercised	**(20,892)**	(791,618)
Outstanding at end of year	**3,864,558**	2,959,716
Exercisable at end of year	**1,641,831**	796,252
Weighted-average share price at exercise (£)	**0.74**	1.58
Weighted-average remaining contractual life (years)	**1.02**	1.57

Notes to the consolidated financial statements continued

10 EMPLOYEE BENEFITS continued

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

During the year to 31 December 2018, awards of DSBPs were made on 29 March 2018. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the DSBP are as follows:

Fair value at grant date	**£1.36**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£1.36**
Exercise price	**Nil**
Expected volatility	**Nil**
Option life	**3 years**
Dividends	**Nil**
Risk-free interest rate	**Nil**

Save As You Earn ("SAYE") scheme

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

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	Number of options	**Weighted-average exercise price £**	Number of options	Weighted-average exercise price £
Outstanding at start of year	**4,401,381**	**1.12**	4,804,147	1.21
Granted	**1,544,255**	**1.18**	3,302,135	1.07
Forfeited	**(348,098)**	**1.13**	(423,430)	1.21
Cancelled	**(632,207)**	**1.13**	(621,001)	1.20
Exercised	**(285,347)**	**1.24**	(2,539,617)	1.19
Expired	**(123,601)**	**1.25**	(120,853)	1.20
Outstanding at end of year	**4,556,383**	**1.12**	4,401,381	1.12
Exercisable at end of year	**69,981**	**1.36**	234,759	1.14
Weighted-average share price at exercise				1.42
Weighted-average remaining contractual life (years)				2.39

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

	2018 Number of options outstanding	2017 Number of options outstanding
£1.07	**2,581,382**	3,157,377
£1.13	**81,640**	194,057
£1.18	**1,335,184**	–
£1.20	**445,922**	521,114
£1.27	**61,973**	426,917
£1.47	**50,282**	101,916
Total	**4,556,383**	4,401,381

10 EMPLOYEE BENEFITS continued

During the year to 31 December 2018, awards of SAYEs were made on 20 June 2018. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the SAYE are as follows:

Fair value at grant date	**£0.40**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£1.38**
Exercise price	**£1.18**
Expected volatility - 3 year scheme	**36.93%**
Expected volatility - 5 year scheme	**54.53%**
Option life	**3-5 years**
Dividends	**Nil**
Risk-free interest rate - 3 year scheme	**0.79%**
Risk-free interest rate - 5 year scheme	**1.05%**
Saving forfeit discounts	**5%**

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.

Awards made in the year are in respect of additional shares to existing scheme participants on payment of dividends by the Group. The weighted-average fair value of awards made in the year was £10,185 measured by reference to the quoted share price of the Company at grant date.

Share-based payment expense

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Equity-settled schemes	**8.8**	10.3
Total expense	**8.8**	10.3

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding, and by the diluted weighted average number of ordinary shares potentially outstanding at the end of the year, calculated as follows:

	Year ended 31 December 2018			Year ended 31 December 2017		
	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	**(63.7)**	**932.7**	**(6.83)**	155.1	930.0	16.68
Effect of potentially dilutive share options	**–**	**–**	**–**	–	7.5	(0.14)
Diluted	**(63.7)**	**932.7**	**(6.83)**	155.1	937.5	16.54

Notes to the consolidated financial statements continued

12 DIVIDENDS

Dividends paid in the year were as follows:

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Final dividend:		
– in respect of the year ended 31 December 2017 (2.55 pence per share, paid on 25 May 2018)	**23.8**	–
– in respect of the 18 months ended 31 December 2016 (2.4 pence per share, paid on 26 May 2017)	**–**	22.3
Interim dividend:		
– in respect of the year ended 31 December 2017 (1.17 pence per share, paid on 24 November 2017)	**–**	10.9
Dividends paid on the vesting of employee share schemes	**0.6**	–
Total dividends paid	**24.4**	33.2

The Board considers it appropriate not to pay a final year dividend for 2018 (total 2017 dividend: 3.72 pence per ordinary share, amounting to £34.7m in total).

The Board's current expectation is to recommence dividend payments during the 2019 financial year at a rebased level. The rebased level for the 2019 full year dividend is expected to be approximately one third of the 3.72 pence total dividend paid during the 2017 financial year, subject to the Group's earnings, cash flow and capital position.

13 INTANGIBLE ASSETS

Year ended 31 December 2018	**Goodwill £m**	**Present value of in-force business £m**	**Distribution network £m**	**Brand £m**	**PrognoSys™ and other intellectual property £m**	**Software £m**	**Leases £m**	**Total £m**
Cost								
At 1 January 2018	**33.9**	**200.0**	**26.6**	**5.6**	**7.4**	**25.4**	**2.0**	**300.9**
Additions	**1.0**	**–**	**–**	**–**	**0.5**	**0.7**	**–**	**2.2**
At 31 December 2018	**34.9**	**200.0**	**26.6**	**5.6**	**7.9**	**26.1**	**2.0**	**303.1**
Amortisation and impairment								
At 1 January 2018	**(0.8)**	**(54.0)**	**(22.4)**	**(5.6)**	**(1.4)**	**(21.2)**	**(2.0)**	**(107.4)**
Charge for the year	**–**	**(17.9)**	**(3.3)**	**–**	**(0.6)**	**(2.9)**	**–**	**(24.7)**
At 31 December 2018	**(0.8)**	**(71.9)**	**(25.7)**	**(5.6)**	**(2.0)**	**(24.1)**	**(2.0)**	**(132.1)**
Net book value at 31 December 2018	**34.1**	**128.1**	**0.9**	**–**	**5.9**	**2.0**	**–**	**171.0**
Net book value at 31 December 2017	**33.1**	**146.0**	**4.2**	**–**	**6.0**	**4.2**	**–**	**193.5**

Year ended 31 December 2017	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	PrognoSys™ and other intellectual property £m	Software £m	Leases £m	Total £m
Cost								
At 1 January 2017	33.9	200.0	26.6	5.6	7.4	23.7	2.0	299.2
Additions	–	–	–	–	–	1.7	–	1.7
At 31 December 2017	33.9	200.0	26.6	5.6	7.4	25.4	2.0	300.9
Amortisation and impairment								
At 1 January 2017	(0.8)	(36.1)	(19.1)	(5.6)	(1.2)	(17.4)	(2.0)	(82.2)
Charge for the year	–	(17.9)	(3.3)	–	(0.2)	(3.8)	–	(25.2)
At 31 December 2017	(0.8)	(54.0)	(22.4)	(5.6)	(1.4)	(21.2)	(2.0)	(107.4)
Net book value at 31 December 2017	33.1	146.0	4.2	–	6.0	4.2	–	193.5
Net book value at 31 December 2016	33.1	163.9	7.5	–	6.2	6.3	–	217.0

13 INTANGIBLE ASSETS continued

Amortisation and impairment charge

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

Impairment testing

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

The Group's goodwill of £34.1m at 31 December 2018 represents £1.0m recognised on the 2018 acquisition of Corinthian Group Limited (see note 35), £0.3m recognised on the 2016 acquisition of the Partnership Assurance Group and £32.8m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited ("JRL").

The existing goodwill has been allocated to the insurance segment as the cash-generating unit. The recoverable amounts of goodwill have been determined from value-in-use. The key assumptions of this calculation are noted below:

	2018	2017
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**10.0%**	10.0%

The value-in-use of the insurance operating segment is considered by reference to latest business plans over the next five years, which reflect management's best estimate of future profits based on historical experience, expected growth rates and assumptions around market share, customer numbers, expense inflation and mortality rates. A stressed scenario that assumes no growth in sales for the next five years and discount rate of 20% is also considered. The outcome of the impairment assessment under both scenarios is that the goodwill in respect of the insurance operating segment is not impaired and that the value-in-use is higher than the carrying value of goodwill and net assets.

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

14 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2018	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Total £m
Cost or valuation				
At 1 January 2018	16.6	6.0	5.7	28.3
Acquired during the year	–	0.8	–	0.8
Revaluations	1.3	–	–	1.3
At 31 December 2018	17.9	6.8	5.7	30.4
Depreciation				
At 1 January 2018	(0.7)	(5.1)	(2.9)	(8.7)
Eliminated on revaluation	1.1	–	–	1.1
Charge for the year	(0.5)	(0.5)	(0.4)	(1.4)
At 31 December 2018	(0.1)	(5.6)	(3.3)	(9.0)
Net book value at 31 December 2018	17.8	1.2	2.4	21.4
Net book value at 31 December 2017	15.9	0.9	2.8	19.6

Notes to the consolidated financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT continued

Year ended 31 December 2017	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Total £m
Cost				
At 1 January 2017	9.7	5.5	10.5	25.7
Acquired during the year	6.9	0.5	–	7.4
Disposed during the year	–	–	(4.8)	(4.8)
At 31 December 2017	16.6	6.0	5.7	28.3
Depreciation				
At 1 January 2017	(0.3)	(4.6)	(3.7)	(8.6)
Charge for the year	(0.4)	(0.5)	(0.9)	(1.8)
Disposed during the year	–	–	1.7	1.7
At 31 December 2017	(0.7)	(5.1)	(2.9)	(8.7)
Net book value at 31 December 2017	15.9	0.9	2.8	19.6
Net book value at 31 December 2016	9.4	0.9	6.8	17.1

Included in freehold land and buildings is land of value £4.4m (2017: £4.3m).

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 15 November 2018 were performed by Hurst Warne & Partners Surveyors Ltd, independent valuers not related to the Company. Hurst Warne & Partners Surveyors Ltd is registered for regulation by the Royal Institution of Chartered Surveyors ("RICS"). The valuation was undertaken by a RICS registered valuer. The valuer has sufficient current local knowledge of the particular market, and the knowledge, skills and understanding to undertake the valuation competently. The fair value of the freehold land was undertaken using a residual valuation assuming a new build office on each site to an exact equivalent size as currently and disregarding the possibility of developing any alternative uses or possible enhancements. The fair value of the buildings was determined based on open market comparable evidence of market rent.

Revaluations during the year comprise a loss of £2.9m recognised in profit or loss, a gain of £5.3m recognised in other comprehensive income (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.1m.

15 FINANCIAL INVESTMENTS

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

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

	Fair value		Cost	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Units in liquidity funds	**882.5**	897.9	**882.5**	897.9
Investment funds	**182.0**	46.3	**182.8**	45.6
Debt securities and other fixed income securities	**9,518.3**	9,589.5	**8,858.5**	8,745.8
Deposits with credit institutions	**153.4**	87.9	**153.4**	87.9
Derivative financial assets	**81.2**	100.2	**–**	2.6
Loans secured by residential mortgages	**7,191.5**	6,833.3	**4,847.6**	4,127.0
Loans secured by commercial mortgages	**392.3**	215.4	**385.9**	211.7
Other loans	**749.1**	444.3	**711.8**	408.0
Amounts recoverable from reinsurers on investment contracts	**102.2**	72.3	**101.2**	67.6
Total	**19,252.5**	18,287.1	**16,123.7**	14,594.1

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 £152.6m (2017: £87.1m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

15 FINANCIAL INVESTMENTS continued

(a) Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1
Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2
Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and
- market-corroborated inputs.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker/asset manager prices, or the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes, and therefore classified as Level 2.

Level 3
Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, asset-backed securities, investment contract liabilities, and deposits received from reinsurers.

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

Under the "no-negative equity" guarantee, the amount recoverable by the Group on termination of mortgages 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 Level 3 bonds are either private placement bonds or asset-backed securities. Such securities are valued using discounted cash flow analyses using 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 analysis using 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.

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.

There are no non-recurring fair value measurements as at 31 December 2018 (2017: nil).

Notes to the consolidated financial statements continued

15 FINANCIAL INVESTMENTS continued

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

	2018				2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value								
Units in liquidity funds	877.7	4.8	–	882.5	894.3	3.6	–	897.9
Investment funds	–	112.2	69.8	182.0	–	46.3	–	46.3
Debt securities and other fixed income securities	918.0	7,984.3	616.0	9,518.3	553.5	8,295.5	740.5	9,589.5
Deposits with credit institutions	152.6	0.8	–	153.4	87.0	0.9	–	87.9
Derivative financial assets	1.8	79.4	–	81.2	–	100.2	–	100.2
Loans secured by residential mortgages	–	–	7,191.5	7,191.5	–	–	6,833.3	6,833.3
Loans secured by commercial mortgages	–	–	392.3	392.3	–	–	215.4	215.4
Other loans	–	25.9	723.2	749.1	–	11.0	433.3	444.3
Recoveries from reinsurers on investment contracts	–	–	102.2	102.2	–	–	72.3	72.3
Total assets held at fair value	1,950.1	8,207.4	9,095.0	19,252.5	1,534.8	8,457.5	8,294.8	18,287.1
Liabilities held at fair value								
Investment contract liabilities	–	–	197.8	197.8	–	–	220.7	220.7
Derivative financial liabilities	–	178.3	–	178.3	–	236.3	–	236.3
Obligations for repayment of cash collateral received	3.2	0.2	–	3.4	16.3	–	–	16.3
Deposits received from reinsurers	–	–	2,443.5	2,443.5	–	–	2,654.1	2,654.1
Total liabilities held at fair value	3.2	178.5	2,641.3	2,823.0	16.3	236.3	2,874.8	3,127.4

(c) Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the year transfers from Level 2 to Level 1 were £485.7m (2017: £nil). Transfers between Level 1 and Level 2 and between Level 2 and Level 3, as shown in the tables below, have arisen from changes in the availability of market prices for specific bonds.

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

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

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

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

For Level 1 and Level 2 assets measured at fair value, the change in fair value during the year was £66.3m and £181.0m respectively.

15 FINANCIAL INVESTMENTS continued

Year ended 31 December 2017	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
At 1 January 2017	179.0	6,430.4	163.8	188.7	28.5	(222.3)	(2,741.1)
Purchases/advances/deposits	27.0	510.0	60.5	240.2	49.4	(51.2)	(31.1)
Transfers from Level 2	534.3	–	–	–	–	–	–
Sales/redemptions/payments	(11.5)	(360.3)	(7.8)	–	(8.9)	59.1	191.7
Realised gains and losses recognised in profit or loss within net investment income	0.1	167.5	(0.1)	0.4	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	11.6	(164.6)	(1.5)	4.0	3.3	–	19.7
Interest accrued	–	250.3	0.5	–	–	–	(93.3)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(6.3)	–
At 31 December 2017	740.5	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)

Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity.

Principal assumptions underlying the calculation of investment funds classified as Level 3

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The discount rates used range from 6.9% to 12.1% depending on the individual loan within the investment fund.

Sensitivity analysis

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

	Investment funds
Net increase/(decrease) in fair value (£m)	Discount rate +1%
2018	**(3.1)**
2017	n/a

Debt securities and other fixed income securities

Debt securities classified as Level 3 are either 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

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Notes to the consolidated financial statements continued

15 FINANCIAL INVESTMENTS continued

Net increase/(decrease) in fair value (£m)	Debt securities and other fixed income securities Credit spreads +100bps
2018	**(28.9)**
2017	(44.8)

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 4.1% (2017: 4.2%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 data set and model mortality tables for both base table rates and mortality improvements (2017: CMI 2016 mortality tables for both base table rates and mortality improvements). These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience.

Property prices

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

Future property prices

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK retail price inflation, "RPI", plus an allowance for the expectation of house price growth above RPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.8% (2017: 4.25%), with a volatility assumption of 13% per annum (2017: 12%). The change in these assumptions since 2017 included consideration of future long and short-term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impact of Brexit on the UK property market.

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.7% and 3.8% for loans written by JRL (2017: 0.7% and 3.0%) and between 0.9% and 3.2% for loans written by PLACL (2017: 0.9% and 2.8%).

Sensitivity analysis

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

	Loans secured by residential mortgages valuation assumptions					
Net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%
2018	**(7.1)**	**22.4**	**(97.1)**	**(79.4)**	**(53.2)**	**(15.1)**
2017	(7.2)	30.3	(72.4)	(62.3)	(43.8)	(24.1)

15 FINANCIAL INVESTMENTS continued

Loans secured by commercial mortgages

The sensitivity factors are determined via financial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The 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.

Principal assumption 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 is 1.4% for JRL (2017: n/a) and 1.5% for PLACL (2017: 0.9%) plus a spread % of between 2.0% and 2.8% for JRL (2017: n/a) and between 1.7% and 3.2% for PLACL (2017: 1.3% and 2.8%) depending on the individual loan.

Sensitivity analysis

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

	Loans secured by commercial mortgages valuation assumptions
Net increase/(decrease) in fair value (£m)	Interest rates +100bps
2018	**(19.8)**
2017	(11.1)

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

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of infrastructure loans to the default assumption is determined by reference to the movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

	Other loans
Net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2018	**(73.4)**
2017	(37.1)

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 fair value

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.

Notes to the consolidated financial statements continued

15 FINANCIAL INVESTMENTS continued

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 4.6% (2017: 4.4%).

Sensitivity analysis

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

Deposits received from reinsurers measured at fair value through profit or loss

Principal assumptions underlying the calculation of deposits received from reinsurers

Discount rate

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 3.47% and 1.32% respectively (2017: 3.11% and 0.95% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread applied by the individual reinsurer. A credit spread of 142bps (2017: 102bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the liabilities (see note 24 (b)). The Group has estimated the impact on fair value to changes to these inputs as follows:

	Deposits received from reinsurers	
Net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
2018	**(75.8)**	**(196.4)**
2017	(88.5)	(217.1)

16 DEFERRED TAX

	2018			2017		
	Asset £m	**Liability £m**	**Total £m**	Asset £m	Liability £m	Total £m
Transitional tax	**–**	**(8.5)**	**(8.5)**	–	(11.1)	(11.1)
Intangible assets	**–**	**(22.1)**	**(22.1)**	–	(27.3)	(27.3)
Land and buildings	**–**	**(0.9)**	**(0.9)**	–	–	–
Other provisions	**18.6**	**(0.7)**	**17.9**	13.0	(0.8)	12.2
Total deferred tax	**18.6**	**(32.2)**	**(13.6)**	13.0	(39.2)	(26.2)

The transitional tax liability of £8.5m (2017: £11.1m) 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 ten years from 1 January 2016.

Other provisions principally relate to temporary differences between the IFRS financial statements and tax deductions for statutory insurance liabilities.

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Net balance at start of year	**(26.2)**	(36.1)
Recognised in profit or loss	**13.5**	9.9
Recognised in other comprehensive income	**(0.9)**	–
Net balance at end of year	**(13.6)**	(26.2)

The Group has unrecognised deferred tax assets of £4.2m (2017: £5.4m).

17 PREPAYMENTS AND ACCRUED INCOME

Included in prepayments and accrued income are capitalised bank borrowing costs of £1.4m (2017: £1.8m).

Prepayments and accrued income for the Group includes £0.8m (2017: £0.2m) that is expected to be recovered more than one year after the Consolidated statement of financial position date.

18 INSURANCE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Receivables arising from insurance and reinsurance contracts	**14.1**	40.3
Other receivables	**4.8**	4.2
Total insurance and other receivables	**18.9**	44.5

Of the above insurance and other receivables, £nil (2017: £nil) is expected to be recovered more than one year after the Consolidated statement of financial position date.

19 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash available on demand	**113.9**	261.4
Units in liquidity funds	**882.5**	897.9
Cash and cash equivalents in the Consolidated statement of cash flows	**996.4**	1,159.3

20 SHARE CAPITAL

The allotted and issued ordinary share capital of Just Group plc at 31 December 2018 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2018	**938,308,340**	**93.8**	**94.2**	**532.7**	**720.7**
In respect of employee share schemes	**2,760,542**	**0.3**	**0.3**	**–**	**0.6**
At 31 December 2018	**941,068,882**	**94.1**	**94.5**	**532.7**	**721.3**
At 1 January 2017	932,884,033	93.3	91.7	532.7	717.7
In respect of employee share schemes	5,424,307	0.5	2.5	–	3.0
At 31 December 2017	938,308,340	93.8	94.2	532.7	720.7

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.

Notes to the consolidated financial statements continued

21 INSURANCE CONTRACTS AND RELATED REINSURANCE

Insurance liabilities

	2018 £m	2017 £m
Gross insurance liabilities	**17,273.8**	16,633.0
Reinsurance	**(4,239.2)**	(5,285.3)
Net insurance liabilities	**13,034.6**	11,347.7

(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.

The insurance liabilities are agreed by the Board using recognised actuarial valuation methods proposed by the Group's Actuarial Reporting Function. In particular, a prospective gross premium valuation method has been adopted for major classes of business.

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process remain uncertain. As a consequence of this uncertainty, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide for appropriate levels of contract liabilities taking known facts and experiences into account but nevertheless such provisions remain uncertain.

The estimation process used in determining insurance liabilities involves projecting future annuity payments and the cost of maintaining the contracts. For non-annuity contracts, the liability is determined as the sum of the discounted value of future benefit payments and future administration expenses less the expected value of premiums payable under the contract. The key sensitivities are the assumed level of interest rates and the mortality experience.

(b) Principal assumptions underlying the calculation of insurance contracts

The principal assumptions underlying the calculation of insurance contracts are as follows:

Mortality assumptions

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

The standard tables which underpin the mortality assumptions are summarised in the table below.

	2018	2017
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for both Merica and PrognoSys™ underwritten business**	PCMA/PCFA00, with CMI 2014 model mortality improvements for both Merica and PrognoSys™ underwritten business
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**Modified E&W Population mortality, with modified CMI 2017 model mortality improvements**	Modified E&W Population mortality, with CMI 2014 model mortality improvements
Defined Benefit (JRL)	**Modified E&W Population mortality, with modified CM 2017 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with CMI 2009 model mortality improvements for medically underwritten business**	Modified E&W Population mortality, with CMI 2016 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit (PLACL)	**Modified E&W Population mortality, with modified CMI 2017 model mortality improvements**	Modified E&W Population mortality, with CMI 2015 model mortality improvements
Care plans and other annuity products (PLACL)	**Modified PCMA/PCFA and with modified CMI 2017 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with modified CMI 2017 model mortality improvements for other annuity products**	Modified PCMA/PCFA with CMI 2016 model mortality improvements for Care Plans; Modified PCMA/PCFA bespoke improvements for other annuity products
Protection (PLACL)	**TM/TF00 Select**	TM/TF00 Select

21 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

The long-term improvement rates in the modified CMI 2017 model are 2.0% for males and 1.75% for females (2017: long-term improvement rates in the CMI 2016 and earlier versions of the CMI model for mortality improvements range from 1.75% for males and 1.5% for females to 2.5% for males and 2.3% for females). The period smoothing parameter in the modified CMI 2017 model has been set to 7.25 (2017: core CMI models were used).

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	**2018 %**	2017 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**3.51**	3.23
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**3.47**	3.11
Defined Benefit (JRL)	**3.51**	3.23
Defined Benefit (PLACL)	**3.47**	3.11
Other annuity products (PLACL)	**1.32**	0.95
Term and whole of life products (PLACL)	**1.54**	1.39

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 4.6% (2017: 4.4%) derived from the expected retail price index implied by inflation swap rates and an additional allowance for earnings inflation.

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

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

Year ended 31 December 2017	Gross £m	Reinsurance £m	Net £m
At 1 January 2017	15,748.0	(6,057.1)	9,690.9
Increase in liability from premiums	1,526.5	(25.1)	1,501.4
Release of liability due to recorded claims	(1,133.6)	457.6	(676.0)
Unwinding of discount	503.2	(180.2)	323.0
Changes in economic assumptions	210.7	(43.6)	167.1
Changes in non-economic assumptions	(193.8)	79.2	(114.6)
Other movements[1]	(28.0)	483.9	455.9
At 31 December 2017	16,633.0	(5,285.3)	11,347.7

1 Includes the impact of reinsurance recapture.

Effect of changes in assumptions and estimates during the year
Economic assumption changes
The principal economic assumption change impacting the movement in insurance liabilities during the year relates to discount rates for both JRL and PLACL.

Notes to the consolidated financial statements continued

21 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads on backing assets (excluding Lifetime Mortgages) and impact of changes to the property growth and volatility assumptions and mortality improvement rates on the Lifetime Mortgages. The mortality improvement rates for Lifetime Mortgages have been aligned with mortality assumptions for annuities. Both existing in-force assets and new assets purchased during the year contribute to the movement in the discount rate. Differences between the discount rates recognised on new business written during the year and the prevailing discount rates on the entire portfolio of business also contribute to the movement in insurance liabilities.

Non-economic assumption changes

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

Expense assumption

Cost synergies arising within the Group following the merger have been recognised through an overall reduction in maintenance expense assumptions. This has resulted in a decrease in the carrying value of insurance liabilities.

The JRL GIfL maintenance expense assumption used at 31 December 2018 was £30.29 per plan (2017: £30.68), whilst the JRL DB maintenance assumption used at 31 December 2018 was £118.75 per scheme member (2017: £113.53). The PLACL GIfL maintenance expense assumption used at 31 December 2018 was £29.30 per plan (2017: £23.69), whilst the PLACL DB maintenance assumption used at 31 December 2018 was £161.40 per scheme member (2017: £128.02). An increase in the maintenance expense assumption increases the carrying value of the insurance liabilities.

Mortality assumptions

For both JRL and PLACL mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 data set and model for both base table rates and mortality improvements (2017: England & Wales population mortality or CMI annuitant mortality tables for base mortality and CMI 2016 and earlier versions of the CMI model for mortality improvements). These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of the lives insured, taking into account the medical and lifestyle evidence collected during the underwriting process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience.

(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 the year.

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

	Expected cash flows (undiscounted)					
2017	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £m
Gross	1,158.9	4,395.2	4,948.2	13,934.2	24,436.5	16,633.0
Reinsurance	(413.3)	(1,542.1)	(1,652.6)	(3,798.7)	(7,406.7)	(5,285.3)
Net	745.6	2,853.1	3,295.6	10,135.5	17,029.8	11,347.7

21 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(e) Sensitivity analysis

The Group has estimated the impact on profit for the year in relation to insurance contracts and related reinsurance from changes in key assumptions relating to financial assets and liabilities.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6% respectively). The test consistently allows for similar changes to both assets and liabilities
Expenses	The impact of an increase in maintenance expenses by 10%
Base mortality rates	The impact of a decrease in base table mortality rates by 5% applied to both Retirement Income liabilities and mortgage assets
Immediate property price fall	The impact of an immediate decrease in the value of properties by 10%. 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
Future property price growth	The impact of a reduction in future property price growth by 0.5%
Future property price volatility	The impact of an increase in future property price volatility by 1%
Voluntary redemptions	The impact of an increase in voluntary redemption rates on loans secured by residential 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
Credit defaults	The impact of an increase in credit default assumption of 10bps
Mortality improvement rates	The impact of a level increase in mortality improvement rates of 0.25% for both Retirement Income liabilities and mortgage assets

Impact on profit before tax (£m)

	Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Credit defaults +10bps
2018	**(156.3)**	**199.7**	**(37.6)**	**(116.6)**	**(161.3)**	**(143.6)**	**(83.2)**	**(88.3)**	**(60.0)**
2017	(123.3)	127.1	(52.1)	(125.9)	(122.7)	(124.8)	(71.7)	(98.7)	(65.2)

The sensitivity to an additional 0.25% improvement in mortality rates in each future year for both annuity and lifetime mortgage business is £(86.8)m. This is equivalent to a four month increase in life expectancy for a typical male aged 65.

The sensitivity factors are applied via financial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The impacts indicated 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.

Notes to the consolidated financial statements continued

22 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
At start of year	**220.7**	222.3
Deposits received from policyholders	**51.0**	51.2
Payments made to policyholders	**(73.5)**	(59.1)
Change in contract liabilities recognised in profit or loss	**(0.4)**	6.3
At end of year	**197.8**	220.7

Recoveries from reinsurers on investment contracts were £102.2m (2017: £72.3m) as shown in note 15.

(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 regard 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.

Valuation discount rates	2018 %	2017 %
Investment contracts	**3.51**	3.23

23 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2018 £m	2017 £m	2018 £m	2017 £m
£100m 9.5% 10 year subordinated debt 2025 non-callable 5 years (Tier 2) issued by Partnership Life Assurance Company Limited (call option in March 2020)	**95.9**	95.3	**113.5**	112.8
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**248.8**	248.6	**289.9**	282.3
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**228.7**	–	**214.7**	–
Total loans and borrowings	**573.4**	343.9	**618.1**	395.1

24 OTHER FINANCIAL LIABILITIES

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

	Note	2018 £m	2017 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	**178.3**	236.3
Obligations for repayment of cash collateral received	(a)	**3.4**	16.3
Deposits received from reinsurers	(b)	**2,443.5**	2,654.1
Liabilities measured using insurance rules under IFRS 4			
Deposits received from reinsurers	(b)	**1,236.3**	1,901.4
Reinsurance finance	(c)	**30.6**	49.3
Reinsurance funds withheld	(d)	**171.2**	188.0
Total other liabilities		**4,063.3**	5,045.4

The amount of deposits received from reinsurers and reinsurance funds withheld that is expected to be settled more than one year after the Consolidated statement of financial position date is £3,730.4m (2017: £4,363.3m).

24 OTHER FINANCIAL LIABILITIES continued

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

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

(b) Deposits received from reinsurers

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

(c) Reinsurance finance

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

25 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, property risk, inflation and foreign exchange risk.

	2018			2017		
Derivatives	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**	Asset fair value £m	Liability fair value £m	Notional amount £m
Foreign currency swaps	**1.3**	**131.8**	**1,186.5**	7.7	71.1	866.2
Interest rate swaps	**36.2**	**9.5**	**2,131.8**	63.7	48.8	1,527.5
Inflation swaps	**38.0**	**27.6**	**1,879.3**	25.6	31.1	1,689.1
Forward swaps	**0.6**	**9.4**	**927.6**	1.8	1.0	385.8
Put option on property index	**3.3**	**–**	**80.0**	–	–	–
Credit default swaps	**–**	**–**	**–**	–	0.5	43.4
Interest rate futures	**1.8**	**–**	**186.0**	1.4	83.8	186.0
Total	**81.2**	**178.3**	**6,391.2**	100.2	236.3	4,698.0

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. 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 2018, the Company had pledged collateral of £152.6m (2017: £119.3m) of which £nil were gilts and European Investment Bank bonds (2017: £5.8m) and had received cash collateral of £3.4m (2017: £16.3m). In addition to the cash collateral received recognised within other financial liabilities (see note 24), certain collateral arrangements within the Group's subsidiary, PLACL, give rise to collateral of £10.4m (2017: £6.7m) which is not included in the Consolidated statement of financial position of the Group because it is deposited into a ringfenced collateral account that the Group has no control over and does not accrue any of the economic benefit.

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Movement in fair value of derivative instruments	**(49.0)**	30.1
Realised losses on interest rate swaps closed	**(16.3)**	(1.4)
Total amounts recognised in profit or loss	**(65.3)**	28.7

Notes to the consolidated financial statements continued

26 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).
- GIfL 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.

The quota share treaties entered into by the Group's subsidiary, JRL, include financing arrangements (see note 24(c)), 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 year the Group recaptured business in respect of certain underwriting years that resulted in a decrease of ceded liabilities of £543.3m 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 24(b)), certain reinsurance arrangements within the Group's subsidiary, PLACL, give rise to deposits from reinsurers that are not included in the Consolidated statement of financial position of the Group as described below:

- The Group has an agreement with two reinsurers whereby financial assets arising from the payment of reinsurance premiums, less the repayment of claims, in relation to specific treaties, are legally and physically deposited back with the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as any returns on the deposits are paid to reinsurers. Consequently, the deposits are not recognised as assets of the Group and the investment income they produce does not accrue to the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are deposited into a ringfenced collateral account. The Group has first claim over these assets should the reinsurer default, but as the Group has no control over these funds and does not accrue any future benefit, this fund is not recognised as an asset of the Group.

	2018 £m	2017 £m
Deposits managed by the Group	**191.6**	221.3
Deposits held in trust	**272.8**	295.4
Total deposits not included in the Consolidated statement of financial position	**464.4**	516.7

27 OTHER PROVISIONS

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
At start of year	**2.1**	8.5
Amounts utilised	**(1.4)**	(6.4)
At end of year	**0.7**	2.1

The amount of provisions that is expected to be settled more than 12 months after the Consolidated statement of financial position date is £0.5m (2017: £0.5m).

28 CURRENT TAX

Current tax assets/liabilities receivable/payable in more than one year are £nil (2017: £nil).

29 ACCRUALS AND DEFERRED INCOME

Accruals and deferred income payable in more than one year are £0.6m (2017: £1.1m).

30 INSURANCE AND OTHER PAYABLES

	2018 £m	2017 £m
Payables arising from insurance and reinsurance contracts	**21.2**	34.0
Other payables	**57.1**	51.5
Total insurance and other payables	**78.3**	85.5

Insurance and other payables due in more than one year are £nil (2017: £nil).

31 COMMITMENTS

Operating leases

The Group leases a number of properties under operating leases. The future minimum lease payments payable over the remaining terms of non-cancellable operating leases are as follows:

	2018 £m	2017 £m
Less than one year	**2.4**	2.1
Between one and five years	**8.2**	6.4
More than five years	**2.7**	3.4
Total future minimum lease payments	**13.3**	11.9

Capital commitments

The Group had no capital commitments as at 31 December 2018 (2017: £nil).

32 CONTINGENT LIABILITIES

The Group has recognised £0.3m of contingent consideration on the acquisition of Corinthian Group Limited. There are no other contingent liabilities as at 31 December 2018 (2017: £nil).

33 FINANCIAL AND INSURANCE RISK MANAGEMENT

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

(a) Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten GIfL are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used to match some of the liabilities arising from the sale of GIfL and DB business. In the event that early repayments in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cash flows will be received later than had originally been anticipated. In addition, a general increase in longevity would have the effect of increasing the total amount repayable, which would increase the LTV ratio and could increase the risk of failing to be repaid in full as a consequence of the no-negative equity guarantee. There is also morbidity risk exposure as the contract ends when the customer moves into long-term care.

Underpinning the management of insurance risk are:
- the development and use of medical information 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.

Notes to the consolidated financial statements continued

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates.

Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk or material currency risk.

Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, Retirement Income product monies are invested to match the asset and liability cash flows as closely as practicable. In practice, it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies.

The Group's exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps.

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

2018	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	882.5	–	–	–	–	882.5
Investment funds	112.2	69.8	–	–	–	182.0
Debt securities and other fixed income securities	829.6	2,732.8	2,514.9	3,441.0	–	9,518.3
Deposits with credit institutions	153.4	–	–	–	–	153.4
Derivative financial assets	3.5	13.7	5.2	58.8	–	81.2
Loans secured by residential mortgages	–	–	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	12.3	173.5	142.4	64.1	–	392.3
Other loans	2.7	8.3	62.3	675.8	–	749.1
Amounts recoverable from reinsurers on investment contracts	102.2	–	–	–	–	102.2
Total	2,098.4	2,998.1	2,724.8	4,239.7	7,191.5	19,252.5

2017	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	897.9	–	–	–	–	897.9
Investment funds	46.3	–	–	–	–	46.3
Debt securities and other fixed income securities	994.1	2,570.0	2,408.6	3,616.8	–	9,589.5
Deposits with credit institutions	87.9	–	–	–	–	87.9
Derivative financial assets	3.3	13.7	8.6	74.6	–	100.2
Loans secured by residential mortgages	–	–	–	–	6,833.3	6,833.3
Loans secured by commercial mortgages	–	103.4	89.8	22.2	–	215.4
Other loans	0.8	3.1	3.0	437.4	–	444.3
Amounts recoverable from reinsurers on investment contracts	72.3	–	–	–	–	72.3
Total	2,102.6	2,690.2	2,510.0	4,151.0	6,833.3	18,287.1

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 21(e).

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

(ii) Property risk

The Group's exposure to property risk arises from indirect exposure to the UK residential property market through the provision of lifetime mortgages. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption. Demand may also reduce for lifetime mortgage products through reducing consumers' propensity to borrow and by reducing the amount they are able to borrow due to reductions in property values and the impact on loan-to-value limits.

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third party valuations are undertaken on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed.

A sensitivity analysis of the impact of property price movements on profit before tax is included in note 21(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 25).
- Reinsurance – reinsurance is used to manage longevity risk but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk – credit risks for loans secured by mortgages has been considered within "property risk" above.

Notes to the consolidated financial statements continued

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

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

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

2017	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	894.3	3.6	–	–	–	–	897.9
Investment funds	–	–	7.2	–	–	–	39.1	46.3
Debt securities and other fixed income securities	552.9	792.6	886.2	3,298.3	3,488.2	151.0	420.3	9,589.5
Deposits with credit institutions	–	–	–	29.8	57.2	–	0.9	87.9
Derivative financial assets	–	–	0.8	18.8	80.6	–	–	100.2
Loans secured by residential mortgages	–	–	–	–	–	–	6,833.3	6,833.3
Loans secured by commercial mortgages	–	–	–	–	–	–	215.4	215.4
Other loans	–	64.2	–	50.3	318.8	–	11.0	444.3
Reinsurance	–	–	294.7	347.8	5.2	–	0.4	648.1
Insurance and other receivables	–	–	–	–	–	–	44.5	44.5
Total	552.9	1,751.1	1,192.5	3,745.0	3,950.0	151.0	7,564.9	18,907.4

The credit rating for Cash and cash equivalents assets at 31 December 2018 was between a range of AA and BB.

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

(d) Liquidity risk

The investment of Retirement Income cash in corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

Liquidity risk is the risk of loss because the Group, although solvent, either does not have sufficient financial resources available to it in order to meet its obligations as they fall due, or can secure them only at excessive cost.

Exposure to liquidity risk arises from:
- deterioration in the external environment caused by economic shocks, regulatory changes, reputational damage, or an economic shock resulting from Brexit;
- realising assets to meet liabilities during stressed market conditions;
- increasing cash flow volatility in the short term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- needing to support liquidity requirements for day-to-day operations;
- ensuring financial support can be provided across the Group; and
- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. The Group's short-term liquidity requirements are predominantly funded by advance Retirement Income premium payments, investment coupon receipts, and bond principal repayments out of which contractual payments need to be made. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

The cash flow characteristics of the lifetime mortgages are reversed when compared with Retirement Income products, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them.

Cash flow forecasts over the short, medium and long term are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

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

2017	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
Subordinated debt	32.0	160.0	478.0	–
Derivative financial liabilities	107.9	114.7	999.7	–
Obligations for repayment of cash collateral received	16.3	–	–	–
Deposits received from reinsurers	365.4	1,354.6	4,508.8	–
Reinsurance finance	–	–	–	49.3
Reinsurance funds withheld	16.9	62.5	163.7	–

34 CAPITAL

The net assets of the Group at 31 December 2018 on an IFRS basis were £1,663.8m (2017: £1,740.5m). The Group manages capital on a regulatory basis. 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 Group is exposed to, including longevity risk, property risk, credit risk and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

In December 2015, Just Retirement Group plc and JRL received approval to calculate their Solvency II capital requirements using a full internal model 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 overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due. In managing its capital the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

The Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/or which impact the quantum of risk to which the Group is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could impact the Group's capital position, which in turn could have a negative effect on the Group's results of operations.

Notes to the consolidated financial statements continued

34 CAPITAL continued

In assessing the Group's capital position the requirements of PS31/18 "Solvency II: Equity release mortgages", published by the PRA in December 2018, have been taken into account. The publication of PS31/18 has significantly reduced the uncertainty created by CP13/18 "Solvency II: Equity release mortgages" and includes a number of key changes which are material to the Group, such as the deferral of the implementation date to 31 December 2019, confirmation that transitional measures for technical provisions for pre-2016 business will be recognised over the remaining transitional period to 31 December 2031, a requirement that firms must meet an effective value test using a volatility rate of 13% and a deferment rate of 0% at the end of 2019 and that the deferment rate should increase to 1% by year end 2021. PS31/18 also noted a number of areas for further consideration, in particular the calculation of the SCR. There is still some uncertainty as regards areas for further PRA consultation and determination, which include the process by which the volatility and deferment rates will be reset and how the effective value test applies in stress.

Given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the matters described in the paragraph above, which could negatively impact on the Group's capital position.

The Group plans to strengthen its capital position during 2019 and beyond in order to continue to write anticipated levels of new business.

On 14 March 2019 the Group announced an underwritten Restricted Tier 1 debt offering of at least £300m and an underwritten non pre-emptive equity placing of 9.99% of existing share capital.

In addition, the Board will continue to review the need for further capital and its optimal capital mix including the refinancing of the existing Partnership Life Assurance Company Limited Tier 2 debt which has a call option in March 2020. Further information on the matters considered by the Directors at 31 December 2018 in relation to capital and going concern is included in note 1.1, Basis of preparation.

The Group's objectives when managing capital for all subsidiaries are:
- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory requirements;
- to safeguard the Group's ability to continue as a going concern;
- to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:
- Just Retirement Limited and Partnership Life Assurance Company Limited – authorised by the PRA, and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited, and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Group capital position (unaudited)

The Group's estimated capital surplus position at 31 December 2018, which is unaudited, and is stated after including 12 months' amortisation of transitional relief, was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Eligible Own Funds	**2,288.9**	2,135.1	**1,762.9**	1,815.0
Capital Requirement	**1,591.4**	1,539.2	**392.5**	382.2
Excess Own Funds	**697.5**	595.9	**1,370.4**	1,432.8
Coverage ratio	**144%**	139%	**449%**	475%

35 GROUP ENTITIES

On 4 July 2018, the Group subscribed for 33% of the ordinary share capital of Spire Platform Solutions Limited, a newly incorporated company, for a consideration of £500. The Group has majority representation on the Board of the company, giving it effective control, and therefore consolidates the company in full in the results of the Group.

On 17 August 2018, the Group acquired 75% of the ordinary share capital of Corinthian Group Limited for consideration of £1.2m. The Group's share of net assets acquired was £0.2m, consisting mainly of trading balances, resulting in goodwill recognised on acquisition of £1.0m. In 2018 revenue of £1.2m and profit of nil have been recognised in the Group's Consolidated statement of comprehensive income since acquisition.

As a result of the above transactions, the non-controlling interests of the minority shareholders of Spire Platform Solutions Limited and Corinthian Group Limited totalling £(0.6)m have been recognised in the year.

35 GROUP ENTITIES continued

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

Notes to the consolidated financial statements continued

35 GROUP ENTITIES continued

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
TOMAS Acquisitions Limited	Dormant	Reigate	100%
Corinthian Group Limited	Holding company	Reigate	75%
Corinthian Pension Consulting Limited	Pension consulting	Reigate	75%
Spire Platform Solutions Limited[2]	Software development	Portsmouth	33%[3]
Associate			
Eldercare Group Limited	Independent financial advisers	Hitchin	33%
Eldercare Solutions Limited	Independent financial advisers	Hitchin	33%
Eldercare Property Partners Limited	Independent financial advisers	Hitchin	33%
Care Fees Investment Limited	Dormant	Hitchin	33%

1 Class "A" and Class "B" ordinary shares. 2 Class "B" ordinary shares. 3 Control is based on Board representation rather than percentage holding.

Registered offices

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

Jersey office:	United States office:	Portsmouth office:	Hitchin office:
44 Esplanade	2711 Centerville Road, Suite 400	Building 3000, Lakeside North Harbour	Suite 4, Titmore Court, Titmore Green
St Helier	Wilmington	Portsmouth	Little Wymondley, Hitchin
Jersey JE4 9WG	Delaware	Hampshire PO6 3EN	Hertfordshire SG4 7JT

36 RELATED PARTIES

The Group has related party relationships with its key management personnel and associated undertakings. All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprise the Directors of the Company.

There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Short-term employee benefits	**4.4**	4.8
Share-based payments	**2.7**	2.3
Total key management compensation	**7.1**	7.1
Loans owed by Directors	**0.4**	0.3

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

37 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

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

38 POST BALANCE SHEET EVENTS

On 14 March 2019 the Group announced an underwritten Restricted Tier 1 debt offering of at least £300m and an underwritten non pre-emptive equity placing of 9.99% of existing share capital.

There are no other post balance sheet events that have taken place between 31 December 2018 and the date of this report.

Statement of changes in equity of the Company

for the year ended 31 December 2018

Year ended 31 December 2018	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
At 1 January 2018	**93.8**	**93.0**	**532.7**	**(5.0)**	**275.6**	**990.1**
Profit for the year	–	–	–	–	**0.6**	**0.6**
Total comprehensive income for the year	–	–	–	–	**0.6**	**0.6**
Contributions and distributions						
Shares issued	**0.3**	**0.3**	–	–	–	**0.6**
Dividends	–	–	–	–	**(24.4)**	**(24.4)**
Share-based payments	–	–	–	**(1.2)**	**8.8**	**7.6**
Total contributions and distributions	**0.3**	**0.3**	–	**(1.2)**	**(15.6)**	**(16.2)**
At 31 December 2018	**94.1**	**93.3**	**532.7**	**(6.2)**	**260.6**	**974.5**

Year ended 31 December 2017	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
At 1 January 2017	93.3	90.5	532.7	(1.6)	321.3	1,036.2
Loss for the year	–	–	–	–	(21.7)	(21.7)
Total comprehensive income for the year	–	–	–	–	(21.7)	(21.7)
Contributions and distributions						
Shares issued	0.5	2.5	–	–	–	3.0
Dividends	–	–	–	–	(33.2)	(33.2)
Share-based payments	–	–	–	(3.4)	9.2	5.8
Total contributions and distributions	0.5	2.5	–	(3.4)	(24.0)	(24.4)
At 31 December 2017	93.8	93.0	532.7	(5.0)	275.6	990.1

Statement of financial position of the Company

as at 31 December 2018

Company number: 08568957	Note	2018 £m	2017 £m
Assets			
Non-current assets			
Investment in subsidiary undertakings	2	**1,343.3**	1,134.5
Deferred tax asset	3	**3.7**	–
		1,347.0	1,134.5
Current assets			
Financial investments	4	**103.2**	79.6
Prepayments and accrued income		**5.1**	1.8
Amounts due from Group undertakings		**7.6**	11.4
Cash and cash equivalents		**6.8**	18.4
		122.7	111.2
Total assets		**1,469.7**	1,245.7
Equity			
Share capital	5	**94.1**	93.8
Share premium	5	**93.3**	93.0
Merger reserve		**532.7**	532.7
Shares held by trusts		**(6.2)**	(5.0)
Accumulated profit		**260.6**	275.6
Total equity		**974.5**	990.1
Liabilities			
Non-current liabilities			
Subordinated debt	6	**477.5**	248.6
		477.5	248.6
Current liabilities			
Financial liabilities	7	**2.2**	–
Other payables		**15.5**	7.0
		17.7	7.0
Total liabilities		**495.2**	255.6
Total equity and liabilities		**1,469.7**	1,245.7

The financial statements were approved by the Board of Directors on 14 March 2019 and were signed on its behalf by:

David Richardson
Director

Statement of cash flows of the Company

for the year ended 31 December 2018

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Cash flows from operating activities		
Loss before tax	**(5.0)**	(28.2)
Share-based payments	**(1.2)**	(4.5)
Income from shares in Group undertakings	**(25.0)**	–
Interest income	**(24.0)**	(20.4)
Interest expense	**31.6**	23.5
Increase in prepayments and accrued income	**(3.8)**	(1.8)
Increase in other payables	**13.8**	2.0
Net cash outflow from operating activities	**(13.6)**	(29.4)
Cash flows from investing activities		
Increase in financial assets	**(30.3)**	(14.8)
Capital injections in subsidiaries	**(50.0)**	–
Loans to subsidiaries	**(150.0)**	–
Dividends received	**25.0**	–
Net cash outflow from investing activities	**(205.3)**	(14.8)
Cash flows from financing activities		
Increase in borrowings (net of costs)	**228.5**	–
Dividends paid	**(24.4)**	(33.2)
Interest paid	**(3.4)**	–
Issue of ordinary share capital (net of costs)	**0.6**	3.0
Net cash inflow/(outflow) from financing activities	**201.3**	(30.2)
Net decrease in cash and cash equivalents	**(17.6)**	(74.4)
Cash and cash equivalents at start of year	**58.9**	133.3
Cash and cash equivalents at end of year	**41.3**	58.9
Cash available on demand	**6.8**	18.4
Units in liquidity funds	**34.5**	40.5
Cash and cash equivalents at end of year	**41.3**	58.9

Notes to the Company financial statements

1 ACCOUNTING POLICIES

General information

Just Group plc (formerly JRP Group plc) (the "Company") was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union effective for accounting periods commencing on or before 1 January 2018 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has adopted IFRS 9, Financial instruments with effect from 1 January 2018. Under IFRS 9 the Company's classification of financial assets and liabilities is unchanged from those under its previous accounting policies, which are either fair value through profit or loss or amortised cost. Therefore there is no impact of adopting IFRS 9 and comparative information has not been restated. Apart from the adoption of IFRS 9, 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 profit arising in the year amounts to £0.6m (2017: loss £21.7m).

1.2 Net investment income

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 year 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 impairment.

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.

2 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
At 1 January 2018	**884.5**	**250.0**	**1,134.5**
Additions	**58.8**	**150.0**	**208.8**
At 31 December 2018	**943.3**	**400.0**	**1,343.3**
At 1 January 2017	874.2	250.0	1,124.2
Additions	10.3	–	10.3
At 31 December 2017	884.5	250.0	1,134.5

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 35 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. Additions to loans to Group undertakings relate to Solvency II Tier 3 qualifying debt issued by subsidiary undertaking, Just Retirement Limited, issued to the Company at par with a maturity date of 2025 and a coupon of 3.5% as subordinated guarantee for the debt issued by the Company as explained in note 6.

The carrying value of the Company's investment in subsidiaries is supported by the cash flows generated by those subsidiaries and no provision for impairment is required at 31 December 2018. The downward movement of the Group's share price during 2018 is not considered to indicate a diminution in value of the Group's subsidiary undertakings as it is not considered to be representative of a long-term decline in the value of the Group.

3 DEFERRED TAX ASSET
Deferred tax of £3.7m (2017: £nil) has been recognised in the profit or loss.

4 FINANCIAL INVESTMENTS

	Fair value		Cost	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Units in liquidity funds	**34.5**	40.5	**34.5**	40.5
Debt securities and other fixed income securities	**66.2**	39.1	**63.5**	39.0
Deposits with credit institutions	**2.5**	–	**2.5**	–
Total	**103.2**	79.6	**100.5**	79.5

All financial investments are measured at fair value through the profit or 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 Level 2 during the year.

5 SHARE CAPITAL
Details of the Company's ordinary share capital and share premium account are shown in note 20 to the Group financial statements.

6 SUBORDINATED DEBT
Details of the Company's subordinated debt are shown in note 23 to the Group financial statements.

7 FINANCIAL LIABILITIES
The Company has derivative financial liabilities of £2.2m (2017: £nil) which are all forward swaps and have a notional value of £138.0m. Further details of the derivative financial liabilities are shown in note 25 to the Group financial statements.

8 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 year:

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Staff costs, Directors' remuneration, operating expenses and management fees charged by Just Retirement Management Services Limited	**27.0**	27.6
Loan advances to Just Retirement Limited	**150.0**	–
Interest on loan balances charged to Just Retirement Limited	**24.6**	22.5
Dividends from Partnership Assurance Group Limited	**25.0**	–

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

	2018 £m	2017 £m
Just Retirement Management Services Limited	**(7.7)**	(0.8)
TOMAS Online Development Limited	**(0.2)**	(1.2)

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

	2018 £m	2017 £m
Loan to Just Retirement Limited (including interest)	**405.6**	254.1
Amounts owed for Group corporation tax	**2.0**	6.4

(b) Key management compensation
Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 36 to the Group financial statements.

Information for shareholders

FINANCIAL CALENDAR 2019

Annual General Meeting	16 May 2019

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 152. Individual shareholders with queries regarding their shareholding in Just Group plc should contact our Registrar, Equiniti Limited.

Shareholders can keep up to date with all the latest Just Group plc news and events by registering with our Alert Service http://justgroupplc.co.uk/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 152.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2018

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1–5,000	510	49.23%	588,023	0.06%
5,001–10,000	84	8.11%	639,608	0.07%
10,001–100,000	168	16.22%	6,464,091	0.69%
100,001–1,000,000	158	15.25%	60,469,662	6.43%
1,000,001–10,000,000	91	8.78%	282,988,568	30.07%
10,000,001–20,000,000	11	1.06%	139,349,123	14.81%
20,000,001 and over	14	1.35%	450,569,807	47.87%
Totals	**1,036**	**100.00%**	**941,068,882**	**100.0%**

JUST GROUP PLC SHARE PRICE

Just's ordinary shares have a premium listing on the London Stock Exchange's main market for listed securities and are listed under the symbol Just. Current and historical share price information is available on our website http://www.justgroupplc.co.uk/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. Just Group plc shareholders are advised to be extremely wary of such approaches and advised to only deal with firms authorised by the FCA. You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling the FCA Consumer Helpline: 0800 111 6768.

REGISTRAR

The Company's register of shareholders is maintained by our Registrar, Equiniti Limited. All enquiries regarding shareholder administration, including dividends, lost share certificates or changes of address, should be communicated in writing, quoting Just 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 Monday to Friday, 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 Just 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, Interim Group Chief Financial Officer and MD, UK Corporate Business

Non-Executive Directors:
Chris Gibson-Smith, Chairman
Keith Nicholson, Senior Independent Director
Paul Bishop
Ian Cormack
Michael Deakin
Steve Melcher
Clare Spottiswoode

GROUP COMPANY SECRETARY

Simon O'Hara

JUST GROUP REGISTERED OFFICE AND REIGATE OFFICE

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Registered in England and Wales number 08568957

CORPORATE BROKERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London
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Numis Securities Ltd
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Glossary

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

Adjusted earnings per share – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19% for 2018), and dividing this result by the weighted average number of shares in issue by the Group for the year.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of 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. Adjusted operating profit is reconciled to IFRS profit before tax on page 29.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employee benefits consultant ("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.

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

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

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

Guaranteed Guidance – see Pensions Wise on page 154.

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

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

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

In-force operating profit – an APM and one of the Group's KPIs, capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force operating profit is reconciled to IFRS profit before tax on pages 25 and 29.

Glossary continued

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

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

Lifetime 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.

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

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

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

New business operating profit – an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of prudent reserves and for acquisition expenses. New business operating profit is reconciled to IFRS profit before tax in the Financial Review.

New business sales – an APM and one of the Group's KPIs, and 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. New business sales are reconciled to IFRS gross premiums in note 2 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

Retirement Income sales (in reference to Just Group sales or products) – collective term for GIfL, DB and Care Plan.

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

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.

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

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

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

Abbreviations

AGM – Annual General Meeting

APM – alternative performance measures

Articles – Articles of Association

BME – black and minority ethnic

CMI – Continuous Mortality Investigation

Code – UK Corporate Governance Code

CP – Care Plans

DB – Defined Benefit De-risking Solutions

DC – defined contribution

DSBP – deferred share bonus plan

EBC – employee benefits consultant

EBT – employee benefit trust

EPS – earnings per share

EVT – effective value test

FCA – Financial Conduct Authority

FPP – Flexible Pension Plan

GDPR – General Data Protection Regulation

GHG – greenhouse gas

GIfL – Guaranteed Income for Life

Hannover – Hannover Life Reassurance Bermuda Ltd

IFRS – International Financial Reporting Standards

IP – intellectual property

JRL – Just Retirement Limited

KPI – key performance indicators

LTIP – Long Term Incentive Plan

LTM – lifetime mortgage

MAR – Market Abuse Regulation

NBS – New Bridge Street

NED – Non-Executive Director

NNEG – no-negative equity guarantees

OP – adjusted operating profit

ORSA – Own Risk and Solvency Assessment

PAG – Partnership Assurance Group

PILON – payment in lieu of notice

PLACL – Partnership Life Assurance Company Limited

PRA – Prudential Regulation Authority

PRI –United Nations Principles for Responsible Investment

PVIF – purchased value of in-force

PwC – PricewaterhouseCoopers LLP

RICS – the Royal Institution of Chartered Surveyors

RPI – retail price inflation

SAM – Solvency Assessment and Management

SAPS – Self-Administered Pension Scheme

SAYE – Save As You Earn

SCR – Solvency Capital Requirement

SFCR – Solvency and Financial Condition Report

SIP – Share Incentive Plan

STIP – Short Term Incentive Plan

tCO_2e – tonnes of carbon dioxide equivalent

TMTP – transitional measures on technical provisions

TSR – Total Shareholder Return

Notes

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Visit us at emperor.works

RETHINK RETIREMENT

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JUST GROUP PLC

FORM OF PROXY

For use at the Annual General Meeting to be held at Andaz London Liverpool Street, 40 Liverpool Street, London EC2M 7QN on Thursday 13 June 2019 at 11:00am.

Notice of Availability – important, please read carefully

You can now access the 2018 Annual Report and Accounts and Notice of Annual General Meeting at www.justgroupplc.co.uk.

You can submit your proxy electronically at www.sharevote.co.uk.

Voting ID:	Task ID:	Shareholder Reference Number:

Please read the Notes to the Notice of Annual General Meeting carefully before appointing your proxy. You can submit your proxy electronically at www.sharevote.co.uk using the numbers above. If you are registered with Equiniti Registrars' online portfolio service, Shareview, you can appoint your proxy electronically by logging on to your portfolio at www.shareview.co.uk and clicking on the link to vote.

I/We the undersigned, being (a) member(s) of Just Group plc (the 'Company') hereby appoint the Chairman of the Annual General Meeting or the person named below (**see Note 1**) as my/our proxy to exercise all or any of my/our rights to attend, speak and vote in respect of my/our voting entitlement on my/our behalf at the Annual General Meeting of the Company to be held at Andaz London Liverpool Street, 40 Liverpool Street, London EC2M 7QN on Thursday 13 June 2019 at 11:00am and at any adjournment thereof.

My/our proxy is to vote as indicated by an 'X' below in respect of the resolutions set out in the Notice of Annual General Meeting dated 10 May 2019 (**see Note 2**) and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the Annual General Meeting.

Name of proxy	Number of shares to be voted **(see Notes 3 and 4)**

Please mark this box ☐ if you attach a schedule of multiple proxies to this Form of Proxy **(see Note 3)**.

Please mark 'X' to indicate how you wish your proxy to vote **(see Note 2)**.

	For	Against	Vote Withheld
Ordinary Resolutions			
1. To receive the Annual Accounts together with the Directors' Reports and Auditors' Report for the financial year ended 31 December 2018 ('the 2018 Annual Report and Accounts').	☐	☐	☐
2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy), in the form set out in the 2018 Annual Report and Accounts.	☐	☐	☐
3. To re-elect Chris Gibson-Smith as a Director of the Company.	☐	☐	☐
4. To re-elect Paul Bishop as a Director of the Company.	☐	☐	☐
5. To re-elect Ian Cormack as a Director of the Company.	☐	☐	☐
6. To re-elect Michael Deakin as a Director of the Company.	☐	☐	☐
7. To re-elect Steve Melcher as a Director of the Company.	☐	☐	☐
8. To re-elect Keith Nicholson as a Director of the Company.	☐	☐	☐
9. To re-elect David Richardson as a Director of the Company.	☐	☐	☐
10. To re-elect Clare Spottiswoode as a Director of the Company.	☐	☐	☐
11. To appoint KPMG LLP as the Company's Auditor until the conclusion of the next general meeting at which accounts are laid.	☐	☐	☐
12. To authorise the Audit Committee to determine the remuneration of the Auditor.	☐	☐	☐
13. To renew the authority of the Directors to exercise all the powers of the Company to make political donations.	☐	☐	☐
14. To renew the authority of the Directors to exercise all the powers of the Company to allot shares.	☐	☐	☐

	For	Against	Vote Withheld
Special Resolutions			
15. To renew the authority of the Directors to exercise the powers of the Company to disapply pre-emption rights.	☐	☐	☐
16. To renew the authority to grant additional power to the Directors to exercise all the powers of the Company to disapply pre-emption rights.	☐	☐	☐
17. To renew the authority of the Directors to exercise all the powers of the Company to purchase Company shares.	☐	☐	☐
18. To approve the calling of General Meetings on not less than 14 clear days' notice.	☐	☐	☐

Signature **(see Notes 5, 6 and 7)**

Date

Notes

1. If you wish to appoint a proxy other than the Chairman of the Annual General Meeting, please delete the words 'the Chairman of the Annual General Meeting or' and insert the name of your desired proxy in the space provided. If you wish your proxy to speak on your behalf at the Annual General Meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

2. To direct your proxy how to vote on the resolutions, please mark the appropriate box with an 'X'. Unless you indicate otherwise, your proxy may vote or abstain from voting as he/she thinks fit. The 'Vote withheld' option is to enable you to abstain on any particular resolution. Please note that a 'Vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' the resolution. On any other business arising at the meeting (including any motion to amend a resolution or adjourn the meeting) the proxy will act at his or her discretion.

3. You may appoint more than one proxy provided that each such proxy is appointed to exercise the rights attached to a different share or shares. To appoint more than one proxy, you should photocopy this Form of Proxy. On each Form of Proxy, please indicate in the box next to the proxy holder's name the number of shares in relation to which you authorise that person to act as your proxy. The total number of shares entered on all the Forms of Proxy you submit must not exceed the number of shares you hold in the Company. Please also indicate, by marking the relevant box, if the proxy instructions is one of multiple instructions being given.

4. If no number of shares is entered, the proxy will be authorised to act on your behalf in relation to your entire shareholding in the Company.

5. To be valid, all Forms of Proxy must be signed and returned to Freepost RTHJ-CLLL-KBKU, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 8LU in the enclosed envelope so as to be received by no later than 11:00am on 11 June 2019. A stamp is not required if posted in the UK. Where multiple Forms of Proxy are completed, they should be returned together in the same envelope.

6. The Form of Proxy must be signed and dated by the member or his/her duly appointed attorney. A Form of Proxy for a body corporate must be either signed by a duly authorised person or attorney of such body or executed under its common seal or in any other manner authorised by its constitution. If this Form of Proxy is signed under a power of attorney or other authority, that power of attorney or other authority (or a certified copy thereof executed in ink by a bank, a stockbroker or a solicitor) must be provided with the signed Form of Proxy.

7. In the case of joint holders, any one holder may sign the Form of Proxy. If more than one joint holder tenders a vote in person or by proxy, the vote of the person whose name stands first in the register will be accepted to the exclusion of the votes of the other joint holder(s).

8. Completion of this Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

9. If you are registered with Equiniti Registrars' online portfolio service, Shareview, you can appoint your proxy electronically by logging on to your portfolio at www.shareview.co.uk and clicking on the link to vote. Alternatively, if you are not registered with Shareview, you can submit your proxy electronically at www.sharevote.co.uk where full instructions are provided. In order to register your vote online you will need to enter your Shareholder Reference Number, Voting ID and Task ID which are provided in this Form of Proxy. For an electronic proxy appointment to be valid, your appointment must be received by Equiniti Limited no later than 11:00am on 11 June 2019.

10. CREST members may make proxy appointments through the CREST electronic proxy appointment service. Please refer to the Notes to Notice of Annual General Meeting for further details.

Just Group plc
Switchboard: 01737 233296 www.justgroupplc.co.uk
Registered Office: Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey RH2 7RU
Registered in England and Wales number 8568957.

10 May 2019

Dear Shareholder

Annual General Meeting of Just Group plc (the 'Company')
The purpose of this letter is to provide you with details of the Annual General Meeting of the Company (the 'AGM') which is to be held at Andaz London Liverpool Street, 40 Liverpool Street, London EC2M 7QN on Thursday 13 June 2019 at 11:00am. The formal Notice of AGM (the 'Notice of Annual General Meeting') is set out on pages 6 to 8 and explanatory notes on the resolutions to be proposed are given on the following pages.

Whether or not you propose to attend the AGM, please complete and submit the enclosed form of proxy (the 'Form of Proxy') or, alternatively, submit an electronic proxy appointment instruction in accordance with the notes to the Notice of Annual General Meeting. To be valid, the Form of Proxy or electronic proxy appointment instruction must be received at the address for delivery specified in the notes by no later than 11:00 am on Tuesday 11 June 2019. Appointment of a proxy will not preclude you from attending and voting at the AGM in person if you wish to do so.

In line with best practice, voting on each of the 18 resolutions to be proposed at the AGM will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholders' votes are counted according to the number of shares held. Resolutions 1 to 14 will be proposed as ordinary resolutions. Resolutions 15 to 18 will be proposed as special resolutions.

Resolution 1 to receive the 2018 Annual Report and Accounts:

To receive the Company's Annual Report and Accounts for the financial year ended 31 December 2018 (the '2018 Annual Report and Accounts'). The results for the 12 months ended 31 December 2018 reflect 12 months of Just Group's performance (1 January 2018 to 31 December 2018). Shareholders will be able to raise any questions on the 2018 Annual Report and Accounts prior to this resolution being voted on. The 2018 Annual Report and Accounts have been sent to shareholders together with this AGM circular and are also available to view online at www.justgroupplc.co.uk.

Resolution 2 to receive and approve the Directors' Remuneration Report for the year ended 31 December 2018 in the form set out in the 2018 Annual Report and Accounts:

In accordance with the provisions of the Companies Act 2006 (the 'Act'), shareholders will be invited under Resolution 2 to approve the Directors' Remuneration Report for the year ended 31 December 2018. The Directors' Remuneration Report on pages 64 to 83 of the 2018 Annual Report and Accounts gives details of the Directors' remuneration for the year ended 31 December 2018. For the purposes of Resolution 2, the Directors' Remuneration Report does not include that part of the report that contains the Directors' Remuneration Policy. Resolution 2 gives shareholders the opportunity to cast an advisory vote on the Directors' Remuneration Report. No Director's remuneration is conditional upon passing the resolution.

The Directors' Remuneration Policy on pages 67 to 71 of the 2018 Annual Report and Accounts sets out the Company's current policy on Directors' remuneration. Shareholders approved the Directors' Remuneration Policy at the 2017 AGM (held on 18 May 2017). The Directors' Remuneration Policy will be put to shareholders again no later than the AGM in 2020 (or, if earlier, when a change to remuneration policy is proposed). The vote on the Directors' Remuneration Policy is binding in that the Company may not make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a Director unless that payment is consistent with the approved Directors' Remuneration Policy, or has otherwise been approved by a resolution of shareholders.

Resolutions 3 to 10 to re-elect Directors of the Company:

The following Directors were re-elected to the Board at the last AGM: Chris Gibson-Smith, Paul Bishop, Rodney Cook, Ian Cormack, Michael Deakin, Steve Melcher, Keith Nicholson, David Richardson and Clare Spottiswoode.

As announced on 30 April 2019, Rodney Cook stepped down as Group Chief Executive Officer ("CEO") and as a Director from the Board with effect from 30 April 2019. A formal search for a successor is underway, which will consider both internal and external candidates. Until such time as a successor is appointed, David Richardson will (subject to receiving regulatory approval) continue to assume the role of interim Group CEO. David Richardson will also retain his responsibilities as Interim Group Chief Financial Officer ("CFO") until a successor CFO is nominated.

In accordance with best practice and the Company's Articles of Association, each of the Directors will retire from office at the AGM and each Director will seek re-election as a Director. Each of resolutions 3 to 10 will be proposed as an ordinary resolution. Biographies and Committee memberships of all the Directors can be found on pages 44 to 47 of the 2018 Annual Report and Accounts and on the Company's website (www.justgroupplc.co.uk).

The Chairman confirms that, following an annual Board evaluation review, each Director continues to perform effectively and demonstrates commitment to his or her role. The Board believes that the considerable and wide-ranging experience of the Directors will continue to be invaluable to the Company and recommends their re-election.

Each of Chris Gibson-Smith, Paul Bishop, Ian Cormack, Michael Deakin, Steve Melcher, Keith Nicholson, and Clare Spottiswoode are considered by the Board to be Independent Non-Executive Directors. The Chairman considers that each of these Independent Non-Executive Directors brings a wealth of experience from their respective careers in financial services and investment management, and confirms that the contributions of each Non-Executive Director concerned is, and continues to be, important to the Company's long-term sustainable success.

The Chairman further confirms that the re-election of David Richardson, the Company's interim Group CEO and interim Group CFO, is appropriate given his contribution to the Company. The Chairman considers that the ongoing involvement of the interim Group CEO and interim Group CFO is important for the Company's long term sustainable success into the future.

Resolution 11 to appoint KPMG LLP as the Company's Auditor:

The Company is required to appoint the Auditor at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. KPMG LLP has advised the Company of its willingness to stand for re-appointment. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of KPMG LLP as the Company's Auditor to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 12 in accordance with current best practice, Resolution 12 is a separate resolution which authorises the Audit Committee to determine the remuneration of the Company's Auditor.

Resolution 13 to renew the authority to make political donations and expenditure:

Part 14 of the Act restricts companies from making donations to political parties, other political organisations or independent election candidates and from incurring political expenditure, in each case without shareholders' consent. It is not proposed or intended to alter the Company's policy of not making such donations or incurring such expenditure. However, it may be that some of the activities of the Company and its subsidiaries may fall within the potentially broad definitions used in the Act and, without the necessary authorisation, this could inhibit the Company's ability to communicate its views effectively to political audiences and to relevant interest groups. Accordingly, the Company believes that the authority contained in Resolution 13 is necessary to allow it and its subsidiaries to fund activities which are in the interests of shareholders. Such authority will enable the Company and its subsidiaries to be sure that they do not unintentionally commit a technical breach of the Act. Resolution 13 does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Act and is intended to authorise normal donations and expenditure.

Any political donation or expenditure which may be incurred under authority of this resolution will be disclosed in the next year's Annual Report and Accounts. It is the Company's intention to seek renewal of this authority on an annual basis. If passed, the authority will expire at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier.

Resolution 14 to renew the authority to allot shares:

The Directors currently have the authority to allot ordinary shares in the capital of the Company and to grant rights to subscribe for or convert any securities into shares in the capital of the Company, up to a maximum aggregate nominal amount of £62,553,889. This authority was obtained at the 2018 AGM and is due to expire at the end of the forthcoming AGM.

The guidelines of the Investment Association ('IA') (formerly the Investment Management Association) on directors' authority to allot shares state that IA members will regard as routine an authority to allot up to two thirds of the Company's existing issued share capital, provided that any amount in excess of one third of the Company's existing issued share capital is applied to fully pre-emptive rights issues only. The Board considers it appropriate that the Directors should continue to have this authority to allot shares in the capital of the Company. In light of the IA's guidelines, this would mean authorising the Directors to allot ordinary shares in the capital of the Company up to a maximum aggregate nominal amount of £69,005,444 (representing approximately two thirds of the Company's issued ordinary share capital as at 7 May 2019, being the last practicable date before publication of this document).

If passed, the authority will expire at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier.

The Directors have no present intention of exercising the authority granted pursuant to this Resolution 14. However, the Directors consider it appropriate to maintain the flexibility that this authority provides. The Company did not hold any shares in treasury as at 7 May 2019 (the latest practicable date before the publication of this document).

Resolution 15 (special resolution) to renew the power to disapply pre-emption rights:

If the Directors wish to allot new ordinary shares and other equity securities (within the meaning of the Act), or sell treasury shares, for cash (other than in connection with an employees' share scheme), the Act requires that these shares are offered first to existing shareholders in proportion to their existing equity holdings. There may be circumstances, however, when it is in the interests of the Company to be able to allot new equity securities, or sell treasury shares, for cash other than on a pre-emptive basis. The Directors have no present intention of exercising the authority in Resolution 15, but consider it appropriate to allow the Company flexibility to finance business opportunities by the issue of shares or sale of treasury shares, or to conduct a pre-emptive offer or rights issue, without the need to comply with the strict requirements of the statutory pre-emption provisions contained in the Act.

The purpose of Resolution 15 is to authorise the Directors to allot new ordinary shares or other equity securities pursuant to the authority given in Resolution 14, or sell treasury shares, for cash (a) in connection with a pre-emptive offer or rights issue or (b) otherwise up to an aggregate nominal value of £5,175,408 (representing 5% of the total issued share capital of the Company as at 7 May 2019, being the last practicable date before publication of this document), in each case without the shares first being offered to existing shareholders in proportion to their existing equity holdings.

Such authority, if given, will expire at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier.

Resolution 16 (special resolution) to renew the authority to grant additional power to disapply pre-emption rights:

The purpose of Resolution 16 is to authorise the Directors to allot new ordinary shares or other equity securities pursuant to the authority given in Resolution 14 or sell treasury shares, for cash, up to an aggregate nominal value of £5,175,408 (representing 5% of the total issued share capital of the Company as at 7 May 2019, being the last practicable date before publication of this document), without the shares first being offered to existing shareholders in proportion to their existing holdings. If given, such authority shall be in addition to the authority in Resolution 15.

However, this additional authority is to be used only in connection with financing, or refinancing (if the authority is used within six months after the original transaction) an acquisition or specified capital investment (of a kind contemplated by the Pre-Emption Group's Statement of Principles, as updated in March 2015) which is announced contemporaneously with the allotment or which has taken place in the preceding six month period and is disclosed in the announcement of the allotment.

Such authority, if given, will expire at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier.

The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles, and not allot equity securities for cash on a non pre-emptive basis pursuant to the authorities in Resolution 15 and Resolution 16, in excess of an amount equal to 7.5% of the total issued share capital of the Company (excluding treasury shares) within a rolling three-year period, without prior consultation with the Company's shareholders, other than in connection with an acquisition or specified capital investment (of a kind contemplated by the Pre-Emption Group's Statement of Principles) which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no present intention of exercising this authority, but consider it desirable to have the flexibility to use it should opportunities arise.

Resolution 17 (special resolution) to renew the authority to purchase Company shares:

Shareholders' approval is sought for the renewal of the Company's authority to buy back its own ordinary shares in the market as permitted by the Act.

The Directors are of the opinion that it would be advantageous for the Company to be in a position to purchase its own shares through the London Stock Exchange should market conditions and price justify that action. The authority limits the maximum number of shares that could be purchased to 103,508,166 (representing approximately 10% of the Company's issued share capital as at 7 May 2019, being the last practicable date before publication of this document) and sets minimum and maximum prices at which shares may be purchased by the Company under this authority. If approved, the authority will expire at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier. The Directors have no present intention of exercising this authority. The authority would be exercised only if the Directors believed that to do so would have a positive effect on earnings per share and would be in the interests of the Company and of its shareholders generally. Any purchases of ordinary shares would be by means of market purchases on a recognised investment exchange.

A listed company purchasing its own shares may hold those shares in treasury and make them available for re-sale as an alternative to cancelling them. Accordingly, if this resolution is passed, the Company will have the option of holding, as treasury shares, any of its own shares that it purchases pursuant to the authority conferred. This would give the Company the ability to sell treasury shares quickly and cost-effectively and provide the Company with additional flexibility in the management of its capital base. No dividends are paid on, and no voting rights are attached to, shares held in treasury. The Company did not hold any shares in treasury as at 7 May 2019, being the last practicable date before publication of this document but it is intended that any shares which are purchased under this authority will be held in treasury, rather than being cancelled.

Resolution 18 (special resolution) to renew the approval of a shorter notice period for general meetings:

The Companies (Shareholders' Rights) Regulations 2009 (the 'Regulations') amended the Act to increase the notice period for general meetings of the Company to 21 days, unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Approval of a shorter notice period of not less than 14 clear days was granted by resolution of the Company at the 2018 AGM (held on 17 May 2018). To preserve this ability, Resolution 18 seeks renewal of a notice period of not less than 14 clear days to apply to general meetings. It is intended that the shorter notice period would not be used as a matter of routine, but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Company undertakes to meet the requirements for electronic voting under the Regulations before calling a general meeting on not less than 14 clear days' notice.

If given, the approval will be effective until the Company's 2020 AGM or 30 June 2020, whichever is the earlier. AGMs will continue to be held on at least 21 clear days' notice.

Recommendation
The Directors consider that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of all proposed resolutions as they intend to do in respect of any shares they hold in the Company.

Yours faithfully

Chris Gibson-Smith
Chairman

10 May 2019

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2019 Annual General Meeting of Just Group plc will be held at Andaz London Liverpool Street, 40 Liverpool Street, London EC2M 7QN on Thursday 13 June 2019 at 11:00am to consider and, if thought fit, pass the following resolutions:

Resolutions 1 to 14 will be proposed as ordinary resolutions. Resolutions 15 to 18 will be proposed as special resolutions.

Ordinary Resolutions:

1. To receive the Accounts for the financial year ended 31 December 2018 together with the Strategic Report, Directors' Remuneration Report, Directors' Report and the Auditor's Report on those Accounts (collectively 'the 2018 Annual Report and Accounts').

2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) in the form set out in the 2018 Annual Report and Accounts.

3. To re-elect Chris Gibson-Smith as a Director of the Company.

4. To re-elect Paul Bishop as a Director of the Company.

5. To re-elect Ian Cormack as a Director of the Company.

6. To re-elect Michael Deakin as a Director of the Company.

7. To re-elect Steve Melcher as a Director of the Company.

8. To re-elect Keith Nicholson as a Director of the Company.

9. To re-elect David Richardson as a Director of the Company.

10. To re-elect Clare Spottiswoode as a Director of the Company.

11. To appoint KPMG LLP as the Company's Auditor until the conclusion of the next general meeting at which accounts are laid before the Company in accordance with the Companies Act 2006 (the "Act").

12. To authorise the Audit Committee to determine the remuneration of the Auditor.

13. THAT the Company and all companies that are its subsidiaries, at any time from the date of the passing of this resolution up to conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier, be authorised, for the purposes of the section 366 of the Act to:

    (a) make political donations to political parties or independent election candidates not exceeding £100,000 in total;

    (b) make political donations to political organisations other than political parties not exceeding £100,000 in total; and

    (c) incur political expenditure not exceeding £100,000 in total.

    For the purposes of this authority the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act.

14. THAT, in substitution for all existing unexercised authorities, the Directors of the Company be generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company:

    (a) up to an aggregate nominal amount of £34,502,722 (such amount to be reduced by the aggregate nominal amount allotted or granted under Resolution 14(b) in excess of, £34,502,722); and

    (b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £69,005,444 (such amount to be reduced by the aggregate nominal amount allotted or granted under Resolution 14(a)) in connection with an offer by way of a rights issue:

        (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) to holders of other equity securities as required by the rights of those securities or, subject to such rights, if the Directors of the Company otherwise consider necessary,

        and so that the Directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, or the requirements of any relevant regulatory body or stock exchange in, any territory or any other matter,

    such authorities to expire (unless previously renewed, varied or revoked) at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements before the authorities expire which would, or might, require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of these authorities and the Directors of the Company may allot shares or grant rights to subscribe for or convert any security into shares under any such offer or agreement as if such authorities had not expired.

Special Resolutions:

15. THAT, in substitution for all existing unexercised authorities and subject to the passing of Resolution 14, the Directors of the Company be generally empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in the section 560(1) of the Act) in the Company for cash pursuant to the authorities conferred by Resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Act. This power:

    (a) expires (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the 2020 AGM or 30 June 2020, whichever is the earlier, but the Company may, before such expiry make an offer or enter into agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry, and the Directors of the Company may allot equity securities and/or sell treasury shares in pursuance of that offer or agreement as if this power had not expired;

    (b) shall be limited to:

        (i) the allotment of equity securities and/or the sale of treasury shares for cash in connection with an offer of, or an invitation to apply for, equity securities (but in the case of an allotment pursuant to the authority granted under Resolution 14(b), such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

            (A) to holders of ordinary shares in proportion (or as nearly may be practicable) to their existing holdings; and

            (B) to holders of other equity securities as required by the rights of those securities or, subject to such rights, if the Directors of the Company consider otherwise necessary,

        and so that the Directors may impose any limits or restrictions and make arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, or the requirements of any relevant regulatory body or stock exchange in, any territory or any other matter; and

        (ii) the allotment of equity securities pursuant to the authority granted under Resolution 14(a) and/or sale of treasury shares for cash (in each case otherwise than in the circumstances set out in Resolution 15(b)(i)) up to an aggregate nominal amount of £5,175,408.

16. THAT, in addition to any authority granted under Resolution 15 and subject to the passing of Resolution 14, the Directors of the Company be generally empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560(1) of the Act) in the Company for cash pursuant to the authorities conferred by Resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Act. This power:

    (a) expires (unless previously renewed, varied or revoked by the Company in a general meeting) at the end of the 2020 AGM (or 30 June 2020, whichever is the earlier), but the Company may before such expiry make offers and enter into agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry, and the Directors of the Company may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if this authority had not expired; and

    (b) in the case of the authority conferred by Resolution 14(a) shall be:

        (i) limited to the allotment of equity securities for cash and/or sale of treasury shares for cash up to an aggregate nominal amount of £5,175,408; and

        (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre Emption Rights most recently published by the Pre Emption Group prior to the date of this Notice of Annual General Meeting.

17. THAT the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 10 pence each in the capital of the Company, subject to the following conditions:

    (a) the maximum aggregate number of ordinary shares authorised to be purchased is 103,508,166;

    (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10 pence;

    (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of: (i) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;

    (d) this authority shall expire at the conclusion of the 2020 AGM or 30 June 2020, whichever is the earlier; and

    (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of this authority which will or may be executed wholly or partly after the expiry of this authority, and may make a purchase of ordinary shares in pursuance of any such contract.

18. THAT a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By Order of the Board:

David Whitehead
Interim Company Secretary
10 May 2019

Registered Office:
Vale House
Roebuck Close
Bancroft Road
Reigate
Surrey RH2 7RU

Registered in England & Wales number 8568957

NOTES TO NOTICE OF MEETING:

1. A shareholder entitled to attend and vote at the AGM may appoint another person(s) (who need not be a shareholder of the Company) to exercise all or any of their rights to attend, speak and vote at the meeting. A shareholder can appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

2. A proxy does not need to be a shareholder of the Company but must attend the AGM to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend and represent you. Your proxy must vote as you instruct and must attend the AGM for your vote to be counted. Details of how to appoint the Chairman of the Company or another person as your proxy, using the Form of Proxy enclosed with this Notice of AGM, are set out in the notes to the Form of Proxy. The valid appointment of a proxy does not prevent you from attending the AGM and voting in person.

3. A shareholder who wishes to appoint a proxy should complete the Form of Proxy which accompanies this Notice of AGM and which includes full details of how to appoint a proxy. If you do not have a Form of Proxy and believe that you should have one, or if you require additional Forms of Proxy, please contact Equiniti's helpline on 0371 384 2787 (+44 121 415 0096 if calling from overseas). Lines are open between 8:30am and 5:30pm Monday to Friday (excluding public holidays in England and Wales). As an alternative to completing a hard copy Form of Proxy, proxies may be appointed electronically in accordance with note 5.

4. A copy of this Notice has been sent for information only to persons who have been nominated by a shareholder to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person; they can only be exercised by a shareholder. However, a Nominated Person may have a right under an agreement with the shareholder by whom they were nominated to be appointed as a proxy for the AGM. If a Nominated Person does not have such a right or does not wish to exercise it, they may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

5. In order to be valid, a proxy appointment must be returned (together with any authority under which it is executed or a copy of the authority certified in ink by a bank, a stockbroker or a solicitor) by one of the following methods:

   - online at www.sharevote.co.uk where full instructions on the procedure are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using your usual user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions;

   - in hard copy form by post, by courier or by hand to the Company's registrar at the address shown on the Form of Proxy; or

   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 8.

   The appointment of a proxy in each case must formally be received by the Company's registrar by no later than 11:00am on Tuesday 11 June 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

6. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The deadline for receipt of proxy appointments (see note 5) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others. If the Company is unable to determine which is last sent, the one which is last received shall be so treated. If the Company is unable to determine either which is last sent or which is last received, none of them shall be treated as valid in respect of the relevant share(s).

7. Only persons entered on the register of shareholders of the Company at 6:30pm on Tuesday 11 June 2019 (or, if the AGM is adjourned, at 6:30pm on the date which is two business days prior to the adjourned meeting) shall be entitled to attend and vote at the AGM or adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the AGM or adjourned meeting.

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA19) by 11:00am on Tuesday 11 June 2019 (the latest time(s) for receipt of proxy appointments specified in this Notice of AGM). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholders' votes are to be counted according to the number of shares held. As soon as practicable following the AGM, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and also placed on the Company's website: www.justgroupplc.co.uk on the 'Investors' page.

11. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, provided that they do not do so in relation to the same shares.

12. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the AGM which is put by a shareholder attending that meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information or if the answer has already been given on a website in the form of an answer to a question.

13. As at 7 May 2019 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consisted of 1,035,081,664 ordinary shares, carrying one vote each. As the Company does not hold any shares in treasury, the total voting rights in the Company as at 7 May 2019 were 1,035,081,664.

14. The contents of this Notice of Annual General Meeting, details of the total number of shares in respect of which shareholders are entitled to exercise voting rights at the Meeting, details of the totals of the voting rights that members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of Annual General Meeting will be available on the Company's website: www.justgroupplc.co.uk on the 'Investors' page.

15. Copies of the Executive Directors' service contracts with the Company and the Letters of Appointment of the Non-Executive Directors are available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and will be available for inspection at the AGM for at least 15 minutes prior to the meeting and until its conclusion.

16. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.

17. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; and (ii) any circumstances connected with an auditor of the company ceasing to hold office since the last AGM, that the members propose to raise at the meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with section 527 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward a copy of the statement to the auditors when it publishes the statement on the website. The business which may be dealt with at the meeting includes any such statement that the Company has been required to publish on its website.

18. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

19. The doors will open at 10:30am and you may wish to arrive by 10:45am to enable you to take your seat in good time.

20. If you have any special needs or require wheelchair access to the AGM venue, please contact reception on 0207 618 5135 in advance of the meeting.

21. Data protection statement: your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Shareholder Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise. Please refer to the Company's privacy statement available at https://www.justgroupplc.co.uk/site-services/privacy-statement, should you require further information about the way in which the Company processes your personal data.