

NEWS RELEASE

18 September 2014

**JUST RETIREMENT GROUP PLC
RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2014
RESILIENT OPERATING PERFORMANCE.**

Financial highlights

- IFRS operating profit £80m, up 2%; underlying operating profit before tax of £97m, 3% lower than FY13
- Total new business sales £1,751m, up 6 per cent. Defined Benefit (DB) de-risking successes and strong lifetime mortgage volumes offset weak individual annuity sales post-Budget
- Group embedded value grew to £959m (191p per share)
- Strong economic capital coverage ratio of 178%, strong Pillar 1 cover of 236%
- Proposed final dividend of 2.2p

Operational highlights

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

Commenting on the results Rodney Cook, Group Chief Executive, said:

“This was a year of extraordinary highs and lows. The successful completion of our IPO and the strong momentum our model delivered in the first nine months of the year were overshadowed by the effect of the Budget reforms on our final quarter. The fact that we still delivered record results speaks volumes for the quality of our business and our people.

The extraordinary challenge of the Chancellor’s reforms demands an extraordinary response, and I look forward confidently to the launch of our new customer propositions next year. Our development programme is on track, and I believe that we have used our outstanding distribution relationships to ensure that we will be in the vanguard of the reformed secure retirement income market. In the meantime, we have protected the profitability of the current generation of products by swiftly implementing £14m of annual cost savings.

The success of our DB de-risking launch shows our continuing ability to develop new products, which benefit both customers and shareholders. Strong profitable growth prospects are emerging.

Demographic trends mean that over time there will be increasing amounts of money coming into the UK at- and in- retirement market over the coming decade. Despite the short-term setback of the Budget reforms, we therefore remain confident that secure income for life, backed by our expertise in medical underwriting, will be increasingly valuable to customers who want to ensure they don’t outlive their savings.

Our job now is to ensure that we capitalise on our Intellectual Property by offering products which are compelling. I am confident that my team will rise to the challenge, and that we will work harder than ever to deliver shareholder value.”

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A presentation for analysts will take place at 9.30 today at Deutsche Bank, 1 Great Winchester Street, London EC2N 2DB

To access the presentation by telephone please use:

UK FreeCall: 08009531287

US FreeCall: 18662243297

Std International Dial-In: +44 (0) 1452 560297

Conference ID: 3803318

A copy of this announcement, the presentation slides and a transcript of the conference call will be available on Just Retirement's website www.justretirementgroup.com

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Forward looking statements disclaimer:

This announcement in relation to Just Retirement Group Plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.

Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, although the Group believes its expectations are based on reasonable assumptions, actual future gains and losses could differ materially from those that we have estimated.

Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities, including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care and the effect of the European Union's "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements within this announcement. The forward-looking statements only speak as at the date of this document and the Group undertakes no obligation to update or change any of the forward-looking statements contained within this announcement or any other forward-looking statements it may make. Nothing in this announcement should be construed as a profit forecast.

Chief Executive's review

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

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

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

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

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

Retirement annuity premium

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

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

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

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

Fixed term annuities

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

Lifetime mortgage loans

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

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

Financial highlights

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

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

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

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

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

Capital and dividends

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

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

Business development

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

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

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

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

Current trading and outlook

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

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

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

And finally..

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

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

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

Financial review

The results of the business

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

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

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

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

	2013/14 £m	2012/13 £m	Change £m
New business operating profit	53.1	58.9	(5.8)
In-force operating profit	43.6	41.1	2.5
Underlying operating profit	96.7	100.0	(3.3)
Operating experience and assumption changes	(2.8)	(11.8)	9.0
Reinsurance and bank finance costs	(13.4)	(9.2)	(4.2)
Operating profit before tax	80.5	79.0	1.5
Non-recurring and project expenditure	(7.0)	(6.5)	(0.5)
Restructuring costs	(5.4)	-	(5.4)
Investment and economic profits	44.1	48.9	(4.8)
Profit before corporate costs and before tax	112.2	121.4	(9.2)
Finance and other costs incurred by corporate companies	(17.1)	(40.0)	22.9
Listing costs	(2.3)	(3.1)	0.8
Profit before tax	92.8	78.3	14.5

Insurance segment performance

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

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

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

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

	2013/14 £m	2012/13 £m	Change £m
New business operating profit	53.1	58.9	(5.8)
In-force operating profit	42.9	41.1	1.8
Underlying operating profit	96.0	100.0	(4.0)
Operating experience and assumption changes	2.5	(11.1)	13.6
Reinsurance and bank finance costs	(20.5)	(10.7)	(9.8)
Operating profit before tax	78.0	78.2	(0.2)
Non-recurring and project expenditure	(6.2)	(5.9)	(0.3)
Restructuring costs	(4.6)	-	(4.6)
Investment and economic profits	44.1	47.4	(3.3)
Profit before tax from insurance segment	111.3	119.7	(8.4)

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

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

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

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

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

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

Corporate activities

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

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

Highlights from Consolidated statement of comprehensive income

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

Gross written premium

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

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

Net premium revenue

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

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

Net investment income

Net investment income comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives.

Net investment income increased by £207.4m, from £249.5m for the year ended 30 June 2013 to £456.9m for the year ended 30 June 2014. Interest received on financial assets totalled £205.6m (2012/13: £175.1m) and increased in line with business growth. The value of financial assets increased by £267.9m (2012/13: £70.0m) in line with a tightening in average credit spreads on corporate bonds held during the comparative period, accompanied by a decrease in long-term interest rates.

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

Net paid claims

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

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

Change in net liabilities

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

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

Acquisition costs

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

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

Other operating expenses

Other operating expenses represent the Group's operational overheads, including personnel expenses, investment expenses and charges, depreciation of equipment, reinsurance fees, operating leases, amortisation of intangibles and other expenses incurred in running the Group's operations.

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

Finance costs

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

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

Income tax

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

Highlights from Consolidated statement of financial position

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

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

Financial assets

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

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

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

Other balances

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

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

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

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

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

Total equity increased by £702.7m from £150.1m at 30 June 2013 to £852.8m at 30 June 2014, largely due to the reorganisation of the Group,

which included the conversion of £339.2m of loan notes and preference share capital to equity, and subsequent raising of £300m gross proceeds from the IPO.

Capital management

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

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

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

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

European embedded value

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

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

Solvency II

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

Dividend policy

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

Rodney Cook
Chief Executive

Risk management

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

Purpose

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

Risk framework

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

Top-down evaluation

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

Bottom-up reporting

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

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

Future developments

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

Principal risks and uncertainties

Risks to our business

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

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

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

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

Risk description & impact

Mitigation & management action

Risks from our chosen market and competitive environment

Risk outlook – Increasing risk

Just Retirement operates in a highly regulated market, which means that changes in relevant legislation and regulation may have a considerable effect on our strategy and day-to-day operations, reducing our sales, profitability or requiring us to hold more capital.

The Group's approach to legislative and regulatory change has been focussed on active participation and engagement with policy makers and regulatory bodies in the UK and Europe, and this will not change.

The changes announced in the 2014 Budget have had a fundamental

altering. In response to the crystallisation of this risk, the Group has

impact on the expected shape and future of the annuity and retirement income markets. Uncertainties arise from:

- The final form of pension reform legislation;
- How Guaranteed Guidance is implemented;
- The impact of Guaranteed Guidance in motivating people to shop around the external market;
- The take-up of Guaranteed Guidance, how it is received and acted on by customers;
- How financial intermediaries and other distributors respond to the pension reforms and developing propositions of manufacturers; and
- How the Group's competitors respond to the pension reforms and their developing propositions.

The Group's strategy and business plans are highly sensitive to changes in the assumptions we make about these market factors and uncertainties.

responded through the acceleration of its strategy revision and innovation pipeline.

The focus for the next financial year will be to adapt our market offering to respond to the final shape of the new pension legislation, the form of the government's Guaranteed Guidance and how customers, competitors and intermediaries might react.

These changes may place our strategy and business plans at risk should our assumptions and developments not flex and adjust to market dynamics. The Group believes it is well placed to adjust and adapt to the changes in the retirement income market, supported by the brand promise, our innovation credentials, financial strength and commitment to operating responsibly.

The selection of strategy and the development of business plans are chosen after careful appraisal of the inherent risks in the plan, the capabilities required and the evaluation of the variability in expected returns for taking these risks.

The most influential factors on the successful delivery of the Group's plans are closely monitored through key risk and performance indicators to help inform where preventative or remedial actions are needed. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.

Risks from legislative and regulatory changes

Risk outlook – Increasing risk

Over the last few years, the financial services industry has witnessed an increase in regulatory activity, regulatory change and more intense regulatory supervision. A move towards judgement-based regulation has also been witnessed, resulting in more proactive and punitive enforcement activity. This approach undoubtedly increases the regulatory risk to which the group is exposed.

The FCA Risk Outlook, published in March 2014, identified numerous areas of focus across the financial services industry including, inter alia, a market study of retirement income, sales practices for customers at retirement, interest-only mortgage maturities, sales incentive arrangements, complaints handling, governance and risk management processes. The FCA market review of annuities will also continue throughout the year, with interim findings due to be published at the end of 2014.

Uncertainty surrounding the implementation date of Solvency II was removed in November 2013 and the new European prudential regulatory framework will come into force on 1 January 2016. Whilst the high-level requirements of Solvency II are understood, some of the lower-level detail is yet to be finalised. The application for approval to calculate capital using an internal model will begin formally in April 2015 and a successful outcome is not guaranteed. It is possible that the final rules, or the outcome of the approval for internal model may give rise to greater required capital. Furthermore, implementation of Solvency II may require changes to the structure and/or business of the Group.

The regulatory agenda for the forthcoming year is again full and covers many areas directly relevant to the Group.

Internally we continue to monitor these developments, assess their potential impacts and engage fully with all relevant regulatory bodies, in line with the regulatory strategy, to adjust to, and implement regulatory change efficiently and effectively, with the overall aim of delivering a better outcome for our customers and competitive advantage for the business.

It is recognised that adapting to these legislative and regulatory changes will involve a high degree of strategy execution risk associated with the scale and pace of change.

While detailed aspects of the framework still need to be finalised, good progress has been made with Solvency II developments and the Group is well placed in its application to use its internal model to calculate its solvency capital requirement and transition to the Solvency II regulatory regime. A number of uncertainties still remain, mitigated through contingencies within the plans to enable adaptation and adjustments to be made, as the final rules become clearer.

Risks from our pricing assumptions

Risk outlook – No change

The writing of long-term insurance contracts requires a range of assumptions to be made, including customers' longevity, interest rates, expenses etc.

The Group is exposed to the risk that its views on these risk factors may be materially inaccurate which may require them to be recalibrated, which in turn may affect profitability and the Group's solvency position.

To manage this risk, the Group has developed its own propriety underwriting system, PrognoSys™, which provides insights and enhanced understanding of the longevity risks that the Group chooses to take.

The actual longevity experience, against what was expected, is monitored to identify any areas where expectations are materially different, and this analysis is an input into the regular review of the reserving basis for liabilities. No changes have been made to IUA longevity assumptions and reserves during the year. The more sophisticated IUA experience analysis system has been used for the analyse LTM longevity. This resulted in a modest strengthening of LTM mortality assumptions.

Some longevity risk exposure is shared with the Group's reinsurance partners, and in taking a share of this risk, the reassurers examine the

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

financial and commercial market environments.

Risks to our “Just” name

Risk outlook – No change

The Group's vision is to be the leading retirement brand known and trusted for enriching our customers' lives. Damage to our brand and/or reputation may adversely affect our underlying profitability, through reducing sales volumes, limitation of distribution channels and increasing capital requirements.

The brand image and our reputation could be threatened by external risks such as:

- Regulatory interpretation or enforcement action, either directly or as a result of contagion from association with other financial services organisations; and
- Cyber-crime targeting. Large organisations are increasingly becoming targets for cyber-crime, particularly if those organisations retain personal information about many people, and migrate some of their operations onto digital platforms. Just Retirement is no exception and a cyber-event could result in financial losses, but more importantly, distress for our customers.

The Group has no appetite for brand and reputational damage and actively protects its brand and seeks to differentiate its business from competitors by investing in the Just Retirement brand.

Risk to the brand and Just Retirement's reputation is mitigated by actively engaging with government officials and policy makers in order to ensure the retirement needs of customers are understood and policies created that enable customers to be served appropriately. There may be limited opportunity to influence regulatory change, so we base our strategy and plans on prevailing regulation and planned regulatory developments and have contingencies should regulatory developments be different to our expectations.

Due diligence is performed on all partners to ensure that they work to the same high security standards that the Group employs and we remain vigilant to the range of cyber-risks but also recognise the speed of cyber-threats, meaning that risk exposure remains.

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

Statement of Directors' responsibilities

Directors' responsibility statement

We confirm to the best of our knowledge that:

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

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

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

By order of the Board:

Rodney Cook
Chief Executive Officer

Simon Thomas
Group Finance Director
17 September 2014

Consolidated statement of comprehensive income

For the year ended 30 June 2014

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

Consolidated statement of changes in equity

For the year ended 30 June 2014

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

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

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

Consolidated statement of financial position

As at 30 June 2014

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

The notes are an integral part of these financial statements.

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

Simon Thomas
Director

Consolidated statement of cash flows

For the year ended 30 June 2014

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

Notes to the consolidated financial statements

1 Significant accounting policies

General information

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

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

1.1 Basis of preparation

The results in this preliminary announcement have been taken from the Group's Annual Report and Accounts for the year ended 30 June 2014 which will be delivered to the registrar of companies following the Company's Annual General Meeting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") effective for accounting periods commencing on or before 1 July 2013 and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements also comply with the revised Statement of Recommended Practice issued by the Association of British Insurers ("ABI SORP") in December 2005 (as amended in December 2006) insofar as these requirements do not contradict IFRS requirements.

This preliminary announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The auditors have reported on the consolidated financial statements. Their report was unqualified and neither contained a statement under section 498 (2) or (3) of the Companies Act 2006.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revision to remove the requirements superseded by IFRS 10.

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

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

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

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

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

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

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

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

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

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

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

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

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

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, other primary statements and notes to the consolidated financial statements.

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

Accounting policy	Item involving judgement	Critical accounting judgement
1.11(a)	Classification of insurance and investment contracts	Assessment of significance of insurance risk transferred.
1.10(a), (b)	Financial assets and liabilities	Classification of financial assets and liabilities, including assessment of market observability of valuation inputs.

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

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy:

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
1.11(b), 22(b), 23(b)	Measurement of insurance liabilities arising from writing annuity insurance contracts	<p>The critical estimates used in measuring insurance liabilities include the projected future annuity payments and the cost of maintaining the reserves.</p> <p>The key assumptions are the discount rates and mortality experience used in the valuation of future annuity payments. The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future mortality experience of the annuitants.</p>

Further detail can be found in note 22.

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

1.3 Consolidation principles

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

The Group is required to use the acquisition method of accounting for business combinations. Under this method, the cost of acquisition is measured as the aggregate of the fair value of the consideration at date of acquisition and the amount of any non-controlling interest in the acquiree.

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

1.4 Operating profit

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

New business profits represent expected investment returns on financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in-force book of business represent the expected unwind of prudent reserves above best estimates for mortality, corporate bond defaults and, with respect to Lifetime Mortgages, no-negative guarantee and early redemptions.

Operating profit excludes the impairment and amortisation of goodwill and other intangible assets, restructuring costs and other exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes are also disclosed outside operating profit.

1.5 Revenue recognition

(a) Premium revenue

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

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

(b) Investment income

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

Interest income is recognised as it accrues. Realised gains and losses on financial investments occur on the disposal or transfer of financial assets and represents the difference between the proceeds received, net of transaction costs, and the original cost.

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

(c) Other operating income

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

1.6 Expense recognition

(a) Claims paid

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

(b) Investment expenses and charges

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

(c) Finance costs

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

(d) Employee benefits

Defined contribution plans

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

Share-based payment transactions

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

(e) Operating leases

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

1.7 Goodwill

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

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

1.8 Intangible assets

Intangible assets consist primarily of contractual relationships such as PVIF, distribution networks, brand, intellectual property and unique software products created and controlled by the Group. Intangible assets are recognised if it is probable that the relevant future economic benefits attributable to the asset will flow to the Group, and are recognised at cost less accumulated amortisation and any impairments. The intangible assets are amortised on a straight-line basis over their useful lives, which ranges from three to 16 years. The useful lives are determined by considering relevant factors, such as usage of the asset, potential obsolescence, competitive position and stability of the industry.

For intangibles with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

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

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

Intangible assets acquired by the Group, including internal software development costs, are stated at cost less accumulated amortisation and impairment losses. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and recognised as an intangible asset. Direct costs include the software development team's employee costs. All other costs associated with researching or maintaining computer software programs are recognised as an expense as incurred.

1.9 Equipment

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

Computer equipment – four years
Furniture and fittings – two years

1.10 Financial assets and liabilities

(a) Classification

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

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

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

(b) Use of fair value

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

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

The Group holds certain financial investments for which the markets are not active. These comprise financial investments which are not quoted in active markets and include loans secured by mortgages, derivatives and other financial investments for which markets are not active. When the markets are not active, there is generally no or limited observable market data to account for financial investments at fair value. The determination of whether an active market exists for a financial investment requires management's judgement.

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

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

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

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

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

(c) Derecognition of financial assets and liabilities

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

1.11 Insurance and investment contracts

(a) Classification of insurance and investment contracts

The measurement basis of assets and liabilities arising from life and pensions business contracts is dependent upon the classification of those contracts as either insurance or investment contracts. A contract is classified as insurance only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

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

(b) Measurement of insurance liabilities

Insurance contracts

Long-term insurance liabilities arise from the Group accepting annuity contracts, including defined benefit de-risking solutions, and are measured by using estimates of projected future cash flows arising from annuity payments plus the costs of administering them. Valuation of insurance liabilities is derived using discount rates, adjusted for default allowance, and mortality assumptions, taken from the appropriate mortality tables and adjusted to reflect actual and expected experience.

Liability adequacy test

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

(c) Investment contracts

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

1.12 Reinsurance

(a) Reinsurance assets

Amounts recoverable from reinsurers are estimated in a consistent manner with insurance liabilities and are classified as reinsurance assets. If a reinsurance asset is impaired, the carrying value is reduced accordingly and that impairment loss is recognised in the income statement.

(b) Financial liabilities

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

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

(c) Amounts receivable/payable

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

1.13 Segments

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

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

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

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

Operating segments, where certain materiality thresholds in relation to total results from operating segments are not exceeded, are combined when determining reportable segments. For segmental reporting, the arranging of annuity contracts, providing intermediary mortgage advice and arranging, plus the provision of licensed software, is combined with the manufacturing of insurance products are reflected in the Group's insurance segment. Other Group activities, such as capital and liquidity management, and investment activities, are reported within corporate activities.

1.14 Borrowings

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

1.15 Share capital

The difference between the proceeds received on issue of the shares, net of share issue costs, and the nominal value of the shares issued is credited to the share premium account. Where the Company purchases shares for the purposes of employee incentive plans, the consideration paid, net of issue costs, is deducted from retained earnings. Upon issue or sale any consideration received is credited to retained earnings net of related costs.

1.16 Cash and cash equivalents

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

1.17 Taxation

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

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

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

1.18 Foreign currencies

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

2 Net investment income

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

3 Acquisition costs

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

4 Other operating expenses

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

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

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

Services provided by Group's auditor

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

5 Finance costs

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

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

6 Segmental reporting

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

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

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

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

Eliminations relate to intra-group transactions and balances.

Segmental reporting and reconciliation to financial information

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

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

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

7 Income tax

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

Reconciliation of total income tax to the applicable tax rate:

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

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

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. From 1 January 2013 life insurance tax is based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime.

Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus, which are not excluded items for taxation, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten year period from 1 January 2013. The tax charge for the period to 30 June 2014 includes profits chargeable to corporation tax arising from this amortisation of £14.7m (2013: £7.4m).

8 Remuneration of Directors

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in respect of 2014 was £1.8m. Employer contributions to pensions for Executive Directors for qualifying periods were £nil. The aggregate net value of share awards granted to the Directors in the period was £2.5m. The net value has been calculated by reference to the closing middle market price of an ordinary share at the date of grant. During the year, no share options were exercised by Directors. With respect to the prior year the Directors of JRGHL, who served during the year, were remunerated indirectly by Permira Funds other than the independent Non-executive director whose remuneration of £60,000 was charged to Just Retirement (Holdings) Limited. The JRGHL Group also incurred £250,000 in respect of fees for the services of two directors who served during the year and was payable to Permira LLP.

9 Staff numbers and costs

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

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

The aggregate personnel costs were as follows:

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

The Company does not have any employees.

10 Employee benefits

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable to the fund and amounted to £4.9m (2013: £3.7m).

Employee share plans

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

Long-term incentive plan ("LTIP")

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

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

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

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

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

At 30 June 2014 there were 3,006,703 awards in issue and a charge of £307,580 has been recognised in the Consolidated Statement of Comprehensive Income with a corresponding increase in equity in the Consolidated Statement of Financial Position.

Share incentive plan ("SIP")

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

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

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

At 30 June 2014 there were 792,839 awards in issue and a charge of £321,103 has been recognised in the Consolidated Statement of Comprehensive Income with a corresponding increase in equity in the Consolidated Statement of Financial Position.

Deferred share bonus plan ("DSBP")

The DSBP is operated in conjunction with the Group's short-term incentive plan for Executive Directors and other senior managers of the Company or any of its subsidiaries. Awards under the DSBP ("bonus awards") will usually be granted over shares with a market value of one-third (or such other proportion as has been determined by the Remuneration Committee) of any bonus payable to such employees under any of the Group's annual bonus arrangements, unless the Remuneration Committee decides otherwise.

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

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

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

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

Save As You Earn ("SAYE") scheme

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

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

At 30 June 2014 there were 4,245,921 options in issue and a charge of £86,165 has been recognised in the Consolidated Statement of Comprehensive Income with a corresponding increase in the equity in the Consolidated Statement of Financial Position.

11 Earnings per share

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

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

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

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

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

12 Dividends

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

13 Intangible assets

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

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

Amortisation and impairment charge

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

Impairment testing

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

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

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

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

The key assumptions of this calculation are noted below:

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

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

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

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

14 Equipment

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

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

15 Financial assets

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

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

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

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

Other financial investments

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

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

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

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

Of the above financial investments, £4,146.2m (2013: £3,637.2m) is expected to be recovered more than one year after the Statement of Financial Position date.

(a) Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;

- Inputs other than quoted prices that are observable for the asset or liability; and
- Market corroborated inputs.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- Where the broker/asset manager price is validated by using internal models with market observable inputs and the values are similar, the investment is classified as Level 2; and
- In circumstances where internal models are not used to validate broker/asset manager prices, or the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third-party broker quotes, and therefore classified as Level 2.

Level 3

Inputs to level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same where an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions as those that the market participant would use in pricing the asset or liability.

The Group's financial assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, private placement bonds, and investment contract liabilities.

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

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

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

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

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

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

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

30 June 2013	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value				
Units in liquidity funds	149.3	–	–	149.3
Debt securities and other fixed income securities	78.8	3,681.1	–	3,759.9
Deposits with credit institutions	17.2	–	–	17.2
Financial derivatives	–	37.1	–	37.1
Loans secured by mortgages	–	–	2,081.2	2,081.2
Total financial assets held at fair value	245.3	3,718.2	2,081.2	6,044.7
Financial liabilities held at fair value				
Investment contract liabilities	–	–	130.4	130.4
Derivative financial instruments	–	66.6	–	66.6
Total financial liabilities held at fair value	–	66.6	130.4	197.0

(c) Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half yearly reporting period.

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

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

Debt securities and other fixed income securities

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

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

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

Redemption and defaults

All debt securities classified as level 3 are asset-backed securities. The assumptions are that the underlying loans supporting the securities are redeemed in the future in a similar profile to the existing redemptions on an average rate of 3% per annum, and that default levels on the underlying basis remain at the current level of the Group's bond portfolio.

Sensitivity analysis

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

Loans secured by mortgages

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

¹ Includes advances and further advances, less redemptions.

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

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

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

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

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

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

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

Principal assumptions underlying the calculation of the loans secured by mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the following:

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.9% (2013: 4.0%).

Mortality

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

Property prices

The value of a property at the date of valuation is calculated by taking the latest valuation for that property and indexing this value using the Nationwide quarterly index for the property's region.

Voluntary redemptions

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

Sensitivity analysis

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

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

The sensitivity factors are applied via actuarial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty, and the assumption that there is a parallel shift in interest rates at all durations.

Investment contract liabilities

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

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

Principal assumption underlying the calculation of investment contract liabilities

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.2% (2013: 4.2%).

Sensitivity analysis

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

16 Deferred tax

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

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

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

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

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

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

17 Prepayments and accrued income

Included in prepayments and accrued income are capitalised bank borrowing issue costs of £1.2m (2013: £1.5m).

Prepayments and accrued income for the Group includes £0.8m (2013: £1.1m) that is expected to be recovered more than one year after the Statement of Financial Position date.

18 Insurance and other receivables

	30 June 2014 £m	30 June 2013 £m
Receivables arising from reinsurance contracts	0.2	1.3
Other receivables	4.8	16.8
Total insurance and other receivables	5.0	18.1

Of the above insurance and other receivables, £3.5m (2013: £0.6m) is expected to be recovered more than one year after the Statement of Financial Position date.

19 Cash and cash equivalents

	30 June 2014 £m	30 June 2013 £m
Cash available on demand	54.4	40.6
Units in liquidity funds (note 15)	341.2	149.3
Cash and cash equivalents in the Consolidated statement of cash flows	395.6	189.9

20 Group reorganisation

The principal purpose of the reorganisation was to make JRG the ultimate holding company of the Group and to convert the existing shareholders' economic interests in JRGHL into shares of JRG, thereby ensuring that the interests of existing shareholders and those of investors who purchase shares in the IPO rank *pari passu*.

The reorganisation has been effected by JRG acquiring the entire issued share capital of JRGHL, the Parent Company of JRHL, which is the holding company of the Group operating companies.

Structure immediately prior to reorganisation

JRGHL had (immediately prior to the reorganisation) four classes of carried shares in issue: A and A1 ordinary shares; B ordinary shares; C1 and C2 ordinary shares; and A and B preference shares. The B ordinary shares carried all voting rights in respect of JRGHL's share capital. JRGHL also had two classes of loan notes outstanding, (the "A loan notes" and the "B loan notes"), an outstanding shareholder term loan (the "shareholder loan") and a profit participating instrument ("PPI").

The value of equity and debt capital in JRGHL immediately prior to the reorganisation was as follows:

Equity	Notes	Number of shares	Share capital £m	Share premium £m	Total £m
A ordinary shares		55,962,922	5.5	0.5	6.0
A1 ordinary shares		1,583,440	0.1	–	0.1
B ordinary shares		706,231,572	70.6	4.3	74.9
C1 ordinary shares		1,583,440	0.2	–	0.2
C2 ordinary shares		71,597,994	3.6	0.4	4.0
Total equity	1	836,959,368	80.0	5.2	85.2

Debt	Notes	Principal £m	Accrued interest /dividend £m	Total £m
A and B preference shares	2	48.7	32.1	80.8
A loan notes	3	13.6	4.5	18.1
B loan notes, shareholder loan and PPI	4	168.8	71.5	240.3
Total debt		231.1	108.1	339.2

Immediately prior to admission to the London Stock Exchange

The reorganisation of the equity and debt detailed above occurred as follows

- (1) The A, A1, B, C1 and C2 ordinary shares (including any accrued and unpaid dividend) were reclassified into 215,918,221 new JRGHL ordinary shares for a value of £26.8m, together with a residual class of deferred shares for a value of £58.4m and preference shares of £49,998.
- (2) The A and B preference shares (including any accrued and unpaid dividend) were reclassified into 35,918,843 new JRGHL ordinary shares for a value of £3.6m, together with a residual class of deferred shares for a value of £45.1m. The rate of exchange to new JRGHL ordinary shares reflected non-payment of the accrued dividend of £32.1m which has been reversed through reserves and the liability derecognised.
- (3) The A loan notes previously issued by JRGHL, (including any accrued and unpaid coupon) were exchanged on a pound-for-pound basis for the allotment and issue of 8,040,043 new JRGHL ordinary shares for a value of £18.1m.
- (4) The B loan notes previously issued by JRGHL (including any accrued and unpaid coupon) and the shareholder loan (including any accrued and unpaid interest) were assigned from Avalire Limited to Avallux. The B loan notes previously issued by JRGHL were exchanged on a pound-for-pound basis for the allotment and issue of 104,667,407 new JRGHL ordinary shares for a value of £235.5m. The shareholder loan and the PPI previously issued by JRGHL (including any accrued and unpaid interest or coupon in respect of each instrument) were exchanged on a pound-for-pound basis for the allotment and issue of 2,121,904 new JRGHL ordinary shares for a value of £4.8m.
- (5) Avallux received preference shares for a value of £49,998 as a result of the reclassification so as to mirror the shares it held in Just Retirement Group plc which it subscribed for on incorporation.
- (6) The new JRGHL deferred shares had a negligible market value and were repurchased by JRGHL immediately prior to the share-for-share exchange. The preference shares held by Avallux were also repurchased following admission.
- (7) The allocation of new JRGHL shares to existing equity and debt holders is summarised as follows:

	JRGH ordinary shares received	Share capital £m	Share premium £m	Total £m	Deferred shares £m	Accumulated profit reserve £m	Total £m
A ordinary shares	14,437,222	1.4	0.5	1.9	4.2	-	6.1
A1 ordinary shares	408,494	0.1	-	0.1	-	-	0.1
B ordinary shares	182,193,208	18.2	4.3	22.5	52.4	-	74.9
C1 ordinary shares	408,494	0.1	-	0.1	0.1	-	0.2
C2 ordinary shares	18,470,803	1.8	0.4	2.2	1.7	-	3.9
Reclassification of existing equity	215,918,221	21.6	5.2	26.8	58.4	-	85.2
A and B preference shares	35,918,843	3.6	-	3.6	45.1	32.1	80.8
A loan notes	8,040,043	0.8	17.3	18.1	-	-	18.1
B loan notes, shareholder loan and PPI	106,789,311	10.7	229.6	240.3	-	-	240.3
Reclassification of existing debt	150,748,197	15.1	246.9	262.0	45.1	32.1	339.2
New JRGHL shares	366,666,418	36.7	252.1	288.8	103.5	32.1	424.4

- (8) All new JRGHL ordinary shares were exchanged on a share-for-share basis for new JRG ordinary shares for a value of £36.7m. A reorganisation reserve amounting to £347.4m, net of transaction costs of £8.2m, arises in the JRG Group consolidated accounts. As a result of this exchange, JRG is the holder of all issued share capital of JRGHL.

Following the admission of Just Retirement Group plc on 15 November 2013

- (9) JRG issued 133,333,582 ordinary shares raising gross sales proceeds of £300m.
- (10) £175m of the proceeds were invested in JRL, the life company, comprising equity investment of £50m and a tier 2 loan for £125m through Just Retirement (Holdings) Limited.
- (11) £18.4m of the proceeds were used to fund transaction costs.
- (12) the remaining £106.6m were held for general corporate purposes, including the Group's response to the pension reforms announced in the Budget.
- (13) The Company issued 831,070 SIP shares, an "all-employee" share ownership plan, to staff.

21 Share capital

Immediately prior to admission on the London Stock Exchange, the Company exchanged 366,666,418 ordinary shares of £0.10 nominal value with the shareholders of JRGHL.

The allotted and issued share capital of JRGHL, the ultimate holding company in the United Kingdom prior to the reorganisation is detailed below:

	Number of shares	Share capital £m	Share premium £m
A ordinary shares	55,962,922	5.5	0.5
A1 ordinary shares	1,583,440	0.1	–
B ordinary shares	706,231,572	70.6	4.3
C1 ordinary shares	1,583,440	0.2	–
C2 ordinary shares	71,597,994	3.6	0.4
Total	836,959,368	80.0	5.2

JRG was incorporated on 13 June 2013 and the allotted, called up and fully paid up share capital is detailed below.

As detailed in note 20, immediately prior to admission on 15 November 2013, all the A, A1, B, C1 and C2 ordinary shares, A and B Preference Shares (including any accrued and unpaid dividend), A and B Loan notes, the Shareholder Loan and the PPI (including any accrued and unpaid interest or coupon in respect of each instrument) were exchanged for new JRGHL ordinary shares. The new JRGHL ordinary shares were exchanged for new JRG ordinary shares as follows:

- 215,918,221 new JRGHL ordinary shares in respect of the A, A1, B, C1 and C2 ordinary shares were exchanged for 215,918,201 new JRG ordinary shares for a value of £21.6m;
- 35,918,843 new JRGHL ordinary shares in respect of the A and B Preference Shares were exchanged for 35,918,843 new JRG ordinary shares for a value of £3.6m;
- 8,040,043 new JRGHL ordinary shares in respect of the A Loan Notes were exchanged for 8,040,043 new JRG ordinary shares for a value of £0.8m; and
- 106,789,311 new JRGHL ordinary shares in respect of the B Loan Notes, the Shareholder Loan and the PPI were exchanged for 106,789,311 new JRG ordinary shares for a value of £10.7m.

The comparative share capital and share premium presented in these financial statements represents that of JRGHL restated to reflect the exchange of JRGHL ordinary shares as though the reorganisation had taken place at the start of the comparative period. The effect of this is the creation of a reorganisation reserve for the difference in value of shares exchanged, as follows:

	Share capital £m	Share premium £m	Reorganisation reserve £m
Balance at 30 June 2013 as previously presented	80.0	5.2	–
Restated balance at 30 June 2013	21.6	–	63.6

The allotted and issued ordinary share capital of Just Retirement Group plc at 30 June 2014 is detailed below:

	Number of shares	Share capital £m	Share premium £m
On incorporation, ordinary shares of £0.10	20	–	–
Prior to admission:			
Share exchange to existing shareholders	215,918,201	21.6	–
Share exchange for A and B preference shareholders	35,918,843	3.6	–
Exchange of A loan notes	8,040,043	0.8	–
Exchange of the B loan notes, the shareholder loan and the PPI	106,789,311	10.7	–
JRG shares exchanged for JRGHL shares	366,666,398	36.7	–
New shares issued	133,333,582	13.3	286.7
Share issue costs	–	–	(7.6)
On 15 November 2013:			
Share-based payments	831,070	0.1	1.2
Capital reduction	–	–	(279.1)
As at 30 June 2014	500,831,070	50.1	1.2

On 30 April 2014 Just Retirement Group plc completed a High Court approved capital reduction. A copy of the order confirming the capital reduction has been registered by the Registrar of Companies and as such the capital reduction became effective. All share premium attaching to the Company's ordinary shares has consequently been cancelled. The purpose of the capital reduction was to create distributable reserves to enable the Company to pay dividends in the future.

22 Insurance contracts and related reinsurance
Insurance liabilities

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

	2013 Gross £m	2013 Reinsurance £m	2013 Net £m
Future policyholders' benefits	5,490.3	3,476.8	2,013.5

(a) Terms and conditions of insurance contracts

The Group writes insurance contracts in the form of individually underwritten annuities for the at-retirement market where the policyholder has one or more pre-existing medical or lifestyle conditions leading to a reduced life expectancy. In return for an initial single premium, these contracts pay a regular amount (usually monthly or annually and sometimes increasing at a fixed or index-linked rate) until the death of the policyholder. Some contracts have payments guaranteed for a minimum term and some have payments that continue after the death of the policyholder to a dependant until the death of that dependant.

(b) Principal assumptions underlying the calculation of insurance contracts

Valuation discount rates

Valuation discount rate assumptions for annuities are set with regards to yields on supporting assets. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on a prudent expectation of default experience of each asset class.

Valuation discount rates – gross liabilities	2014 %	2013 %
Individually underwritten annuities	4.13	4.20

Mortality assumptions

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

Mortality table

	2014	2013
Individually underwritten annuities – males	PCMA00	PCMA00
Individually underwritten annuities – females	PCFA00	PCFA00

The percentage of each table used varies according to medical and lifestyle conditions, premium size and gender. In addition to the mortality improvements included in the base mortality table, the Company overlays mortality improvement projections and its own additional assessment of how the additional mortality determined at the date of underwriting will develop in the future.

Future expenses

Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.2% (2013: 4.2%) derived from the expected retail price index implied by inflation swap rates and an additional allowance for earnings inflation.

(c) Movements

The following movements have occurred in the insurance contract balances for annuities during the period:

	Gross £m	Reinsurance £m	Net £m
Carrying amount			
At 1 July 2013	5,490.3	3,476.8	2,013.5
Increase in liability from premiums	1,176.2	502.7	673.5
Release of liability due to recorded claims	(445.7)	(235.0)	(210.7)
Unwinding of discount	242.5	107.7	134.8
Changes in economic assumptions	37.9	39.0	(1.1)
Changes in non-economic assumptions	(14.1)	(14.1)	–
Other movements ¹	(3.5)	(260.8)	257.3
At 30 June 2014	6,483.6	3,616.3	2,867.3

	Gross £m	Reinsurance £m	Net £m
Carrying amount			
At 1 July 2012	4,626.7	3,079.8	1,546.9
Increase in liability from premiums	1,216.6	718.7	497.9
Release of liability due to recorded claims	(369.6)	(218.8)	(150.8)
Unwinding of discount	195.7	95.4	100.3
Changes in economic assumptions	(196.8)	(96.4)	(100.4)
Changes in non-economic assumptions	20.0	9.4	10.6
Other movements ¹	(2.3)	(111.3)	109.0
At 30 June 2013	5,490.3	3,476.8	2,013.5

¹Includes the impact of reinsurance recapture

Effect of changes in assumptions and estimates during the period

Economic assumption changes

Discount rates

Interest rates over the period have decreased by 0.07% from 4.20% at 30 June 2013 to 4.13% at 30 June 2014. A decrease in interest rates increases the carrying value of insurance liabilities.

Expense inflation

The renewal expense inflation assumption used at 30 June 2014 was 4.2% p.a. (2013: 4.2% p.a.).

Non-economic assumption change

Expense assumption

The renewal expense assumption used at 30 June 2014 was £38.94 per plan. This has increased from £37.37 per plan at 30 June 2013. An increase in the renewal expense assumption increases the carrying value of insurance liabilities.

(d) Estimated timing of net cash outflows from insurance contract liabilities

The following shows the insurance contract balances analysed by duration. The total balances are split by duration of annuity payments in proportion to the policy cash flows estimated to arise during that period.

30 June 2014	Within 1 year £m	1–5 years £m	5–15 years £m	Over 15 years £m	Total £m
Individually underwritten annuities					
Gross	470.9	1,659.1	2,733.2	1,620.4	6,483.6
Reinsurance	(265.9)	(935.4)	(1,530.1)	(884.9)	(3,616.3)
Net	205.0	723.7	1,203.1	735.5	2,867.3

30 June 2013	Within 1 year £m	1–5 years £m	5–15 years £m	Over 15 years £m	Total £m
Individually underwritten annuities					
Gross	400.4	1,413.8	2,315.1	1,361.0	5,490.3
Reinsurance	(255.7)	(901.6)	(1,469.3)	(850.2)	(3,476.8)
Net	144.7	512.2	845.8	510.8	2,013.5

(e) Sensitivity analysis

The Group has estimated the impact on profit for the year in relation to insurance contracts and related reinsurance from changes in key assumptions relating to financial assets and liabilities:

Impact on profit before tax (£m)

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

30 June 2013	Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Mortality -5%	Property prices -10%	Voluntary redemptions -10%
Gross	(0.6)	2.4	(11.4)	(62.0)	(19.7)	6.3
Reinsurance	(15.0)	17.7	–	44.5	–	–
Net increase/(decrease) in profit before tax	(15.6)	20.1	(11.4)	(17.5)	(19.7)	6.3

The sensitivity factors are applied via actuarial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The impacts indicated above for insurance contracts also reflect movements in financial derivatives, which are impacted by movements in interest rates. Related reinsurance assets are not impacted by financial derivatives.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty, and the assumption that there is a parallel shift in interest rates at all durations.

23 Investment contract liabilities

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Balance at 1 July	130.4	61.5
Deposits received from policyholders	73.7	78.8
Payments made to policyholders	(9.1)	(4.7)
Change in contract liabilities recognised in profit or loss	2.4	(5.2)
Balance at 30 June	197.4	130.4

Investment contracts are not reinsured.

(a) Terms and conditions of investment contracts

The Group writes capped drawdown products for the at-retirement market. In return for a single premium, these contracts pay a guaranteed lump sum on survival to the end of the fixed term. There is an option at outset to select a lower sum at maturity and regular income until the earlier of death or maturity. Upon death of the policyholder and subject to the option selected at the outset, there may be a return of premium less income received or income payable to a dependant until the death of that dependant.

(b) Principal assumptions underlying the calculation of investment contracts

Valuation discount rates

Valuation discount rate assumptions for investment contracts are set with regards to yields on supporting assets. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on historical default experience of each asset class.

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

Valuation discount rates	2014 %	2013 %
Investment contracts	4.22	4.20

24 Loans and borrowings

	30 June 2014 £m	30 June 2013 £m
Bank borrowings	51.6	55.2

On 25 September 2012, Just Retirement (Holdings) Limited entered into a £35m five-year term loan agreement provided by Royal Bank of Scotland.

On 9 May 2013, Deutsche Bank AG and Nomura International plc acceded to the loan agreement under the terms of an accordion feature, with each providing loans of £10m to Just Retirement (Holdings) Limited.

On 11 October 2013, £3.6m was repaid.

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

25 Other liabilities

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

	Note	30 June 2014 £m	30 June 2013 £m
Amortised cost:			
Class A loan notes	(a)	–	13.6
Class B loan notes	(a)	–	164.8
Class A preference shares	(b)	–	3.7
Class B preference shares	(b)	–	45.0
Other loans	(c)	–	4.0
Fair value through profit or loss:			
Derivative financial instruments	(d)	89.6	66.6
Obligations for repayment of cash collateral received	(d)	1.8	–
Liabilities measured using insurance rules:			
Deposits received from reinsurers	(e)	3,464.0	3,313.3
Reinsurance finance	(f)	98.2	94.4
Total other liabilities		3,653.6	3,705.4

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

(a) Loan notes

Class "A" loan notes for £11.2m and Class "B" loan notes for £141.7m were issued on 27 November 2009 with a further £2.4m Class "A" loan notes issued on 18 December 2012 and £23.1m Class "B" loan notes on 25 September 2012. Interest accrued on the loan notes at 10% per annum compounded including rolled up interest from the quarterly payment dates.

The Class "A" and Class "B" loan notes were unsecured and rank *pari passu* in right of payment to all existing and future unsubordinated indebtedness of the Company and without preference amongst themselves.

The loan notes were repayable on the earlier of the 10th anniversary of the issue of the notes, on a listing of the Company or sale of the Company.

Immediately prior to admission, the Class "A" and Class "B" loan notes were exchanged on a pound-for-pound basis to the Company in

exchange for the allotment and issue of 8,040,043 ordinary shares in the Company for a value of £0.8m for the Class "A" loans and 104,667,407 ordinary shares in the Company for a value of £10.5m for the Class "B" loans.

(b) Preference shares

Class "A" preference shares for £3.1m and Class "B" preference shares for £38.6m were issued on 27 November 2009 with a further £0.6m Class "A" preference shares on 18 December 2012 and £6.4m Class "B" preference shares issued on 25 September 2012.

Immediately prior to admission, the Class "A" and Class "B" preference shares were exchanged on a pound-for-pound basis to the Company in exchange for the allotment and issue of 2,694,799 ordinary shares in the Company for a value of £0.3m for the Class "A" preference shares and 33,224,044 ordinary shares in the Company for a value of £3.3m for the Class "B" preference shares.

(c) Other loans

Other loans relate to loan notes and PPI. The terms of these loan notes are the same as the Class "A" and "B" loan notes. The PPI was issued on 27 November 2009 and has a term of 99 years. The yield on the PPI is based on the adjusted profits of the Company. The yield for the period to 15 November 2013 was nil% (30 June 2013: nil%).

Immediately prior to admission, the loan notes and profit participating instruments were exchanged on a pound-for-pound basis to the Company in exchange for the allotment and issue of 2,121,904 ordinary shares in the Company for a value of £0.2m.

(d) Derivative financial instruments and obligations for repayment of cash collateral received

The derivative financial instruments are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition.

(e) Deposits received from reinsurers

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

(f) Reinsurance finance

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

26 Derivative financial instruments

The Company uses various derivative financial instruments to manage its exposure to interest rates and foreign exchange risk, including interest rate swaps, interest rate swaptions and foreign currency asset swaps.

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD/EUR asset swaps	7.5	0.6	186.1
Sterling interest rate swaps	34.8	89.0	702.0
Sterling interest rate swaptions	–	–	365.0
Total at 30 June 2014	42.3	89.6	1,253.1

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD asset swaps	0.1	0.8	69.4
Sterling interest rate swaps	35.1	65.8	702.0
Sterling interest rate swaptions	1.9	–	695.0
Total at 30 June 2013	37.1	66.6	1,466.4

With the exception of the swaptions which expire in the next 12 months, the above derivative financial instruments are not expected to be settled within 12 months of the Statement of Financial Position date. The maximum exposure to credit risk at the reporting date is the fair value of the derivatives in the Statement of Financial Position.

The interest rate swaps are not designated as a hedge and changes in their fair value are included in profit or loss. Derivatives are used to manage the Group's European Embedded Value and regulatory capital, which is affected by a surplus of long-dated fixed interest securities when liabilities are measured on a realistic basis.

All over-the-counter derivative transactions are conducted under standardised ISDA (International Swaps and Derivatives Association Inc.) master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 30 June 2014, the Company had pledged collateral of £54.3m (2013: £34.3m) of which £25.1m were gilts (2013: £17.2m) and had received cash collateral of £1.8m (2013: £nil).

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

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Movement in fair value of swaps	(17.8)	11.4
Realised gains/(losses) on interest rate swaps closed	1.2	(4.6)
Net derivative cost of new trades	–	(2.4)
Total amounts recognised in profit and loss	(16.6)	4.4

27 Deposits received from reinsurers

The Group's subsidiary, Just Retirement Limited, has entered into long-term reinsurance arrangements with four reinsurance companies. Under the reinsurance treaties, a percentage of the liability under reinsured policies written, determined on the Pillar 1 basis, is ceded to the reinsurers who deposit back an amount calculated to cover the credit risk that would otherwise be borne by Just Retirement Limited.

In addition to the reinsurance of the mortality risk, Just Retirement Limited receives a benefit for Pillar 1 solvency purposes, because the reinsurance premium paid to the reinsurers represents less than 100% of the value of the reinsured liabilities on the treaty basis with the resultant capital benefit utilised as solvency capital in determining the regulatory Pillar 1 solvency of Just Retirement Limited. The resultant benefit is treated as a liability in the financial statements and its repayment is contingent upon the emergence of surplus under Pillar 1 valuation rules.

The amount of deposits received from reinsurers that is expected to be settled more than one year after the Statement of Financial Position date is £3,207.2m (2013: £3,069.8m).

During the period the Group fully repaid the financing provided in respect of the Group's underwriting year 2006/07 and exercised its right under the reinsurance contract to recapture the previously ceded insurance liabilities. As a consequence the reinsurers also reduced the level of deposit back granted to Just Retirement Limited. This business was recaptured at the end of December 2013, resulting in a decrease in ceded insurance liabilities of £263.1m (2013: £115.4m) and a reduction in the deposit back of £263.1m (2013: £116.8m). The consequences of this recapture are that the Group now solely bears the risks and rewards of the 2006/07 underwriting year.

28 Other provisions

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Balance at 1 July	1.7	1.2
Amounts utilised	(0.8)	–
Amounts released	(0.4)	–
Amounts charged to Statement of Comprehensive Income	4.3	0.5
Balance at 30 June	4.8	1.7

The amount of provisions that is expected to be settled more than 12 months after the Statement of Financial Position date is £0.5m (2013: £0.9m).

29 Current tax

Current tax assets/liabilities receivable/payable in more than one year are £nil (2013: £nil).

30 Accruals and deferred income

Accruals and deferred income payable in more than one year are £nil (2013: £nil).

31 Insurance and other payables

	30 June 2014 £m	30 June 2013 £m
Payables arising from insurance and reinsurance contracts	13.3	13.7
Interest accrued on loan notes and preference shares	–	95.2
Other loan interest accrued	–	0.7
Other payables	22.2	50.0
Total insurance and other payables	35.5	159.6

Insurance and other payables due in more than one year are £2.0m (2013: £95.2m).

32 Commitments

Operating leases

The Group leases a number of properties under operating leases.

The future minimum lease payments payable over the remaining terms of non-cancellable operating leases are as follows:

	30 June 2014 £m	30 June 2013 £m
Less than one year	1.5	1.4
Between one and five years	5.9	3.5
More than five years	1.8	0.2
Total future minimum lease payments	9.2	5.1

Capital commitments

The Group had no capital commitments as at 30 June 2014 (2013: £nil).

33 Contingent liabilities

The Group had no contingent liabilities as at 30 June 2014 (2013: £nil).

34 Financial and insurance risk management

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

(a) Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten annuities are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used to match some of the liabilities arising from the sale of annuities. In the event that early repayments in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cashflows 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 (Prognosis™) for both pricing and reserving to provide detailed insight into longevity risk;
- Adherence to approved underwriting requirements;
- Controls around the development of suitable products and their pricing;
- Review and approval of assumptions used by the Actuarial Function Holder and the Board;
- Regular monitoring and analysis of actual experience;
- Use of reinsurance to minimise volatility of capital requirement and profit; and
- Monitoring of expense levels.

Concentrations of insurance risk

Concentration of insurance risk comes from improving longevity. Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates.

Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk or material currency risk.

Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase annuities, and changes in interest rates can affect the relative attractiveness of annuity products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, annuity monies are invested to match the asset and liability cash flows as closely as practicable. In practice it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the risk appetite and

management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies.

The Group's exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps and swaptions.

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

	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
30 June 2014						
Debt securities and other fixed income securities	224.0	1,290.4	1,372.9	1,440.6	–	4,327.9
Units in liquidity funds	341.2	–	–	–	–	341.2
Loans secured by mortgages	–	–	–	–	2,749.4	2,749.4
Financial derivatives	–	–	30.2	12.1	–	42.3
Deposits with credit institutions	29.2	–	–	–	–	29.2
Total	594.4	1,290.4	1,403.1	1,452.7	2,749.4	7,490.0
30 June 2013						
Debt securities and other fixed income securities	235.9	1,042.6	1,120.4	1,361.0	–	3,759.9
Units in liquidity funds	149.3	–	–	–	–	149.3
Loans secured by mortgages	–	–	–	–	2,081.2	2,081.2
Financial derivatives	–	1.9	25.3	9.9	–	37.1
Deposits with credit institutions	17.2	–	–	–	–	17.2
Total	402.4	1,044.5	1,145.7	1,370.9	2,081.2	6,044.7

(ii) Property risk

The Group's exposure to property risk arises from indirect exposure to the UK residential property market through the provision of lifetime mortgages. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption. Demand may also reduce for lifetime mortgage products through reducing consumers' propensity to borrow and by reducing the amount they are able to borrow due to reductions in property values and the impact on loan-to-value limits.

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third-party valuations are undertaken on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed.

(iii) Inflation risk

Inflation risk is the risk of fluctuations in the value of, or income from, specific assets or liabilities or both in combination, arising from relative or absolute changes in inflation or in the volatility of inflation.

Exposure to inflation occurs in relation to the Group's own management expenses and its matching of index-linked annuities. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the inflation risk associated with its index-linked annuities.

(iv) Currency risk

Currency risk arises from fluctuations in the value of, or income from, assets denominated in foreign currencies, from relative or absolute changes in foreign exchange rates or in the volatility of exchange rates.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. From time to time, the Group acquires fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolio. All Group liabilities are in sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to eliminate the foreign exchange exposure as far as possible.

(c) Credit risk

Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

Credit risk exposures arise from:

- Holding fixed income investments where the main risks are default and market risk. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a hold to maturity strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment-grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 26).
- Reassurance – reassurance is used to manage longevity risk but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk – credit risks for loans secured by mortgages has been considered within “property risk” above.

The following table provides information regarding the credit risk exposure for financial investments of the Group, which are neither past due nor impaired at 30 June:

30 June 2014	AAA ¹ £m	AA £m	A £m	BBB ² £m	Unrated £m	Total £m
Debt securities and other fixed income securities	273.5	612.9	1,871.8	1,569.7	–	4,327.9
Units in liquidity funds	341.2	–	–	–	–	341.2
Deposits with credit institutions	–	–	29.2	–	–	29.2
Insurance and other receivables	–	–	0.6	–	4.4	5.0
Financial derivatives	–	–	42.3	–	–	42.3
Reinsurance	–	121.7	30.6	–	–	152.3
Total	614.7	734.6	1,974.5	1,569.7	4.4	4,897.9

30 June 2013	AAA ¹ £m	AA £m	A £m	BBB ² £m	Unrated £m	Total £m
Debt securities and other fixed income securities	377.7	466.4	1,711.0	1,204.8	–	3,759.9
Units in sterling liquidity fund	149.3	–	–	–	–	149.3
Deposits with credit institutions	–	–	17.2	–	–	17.2
Insurance and other receivables	–	–	–	–	18.1	18.1
Financial derivatives	–	–	37.1	–	–	37.1
Reinsurance	–	124.1	39.4	–	–	163.5
Total	527.0	590.5	1,804.7	1,204.8	18.1	4,145.1

1 Includes treasury gilts.

2 Includes BBB and below.

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

(d) Liquidity risk

The investment of annuity cash in corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

Liquidity risk is the risk of loss because the Group, although solvent, either does not have sufficient financial resources available to it in order to meet its obligations as they fall due, or can secure them only at excessive cost.

Exposure to liquidity risk arises from:

- Deterioration in the external environment caused by economic shocks, regulatory changes or reputational damage;
- Realising assets to meet liabilities during stressed market conditions;
- Increasing cash flow volatility in the short term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- Needing to support liquidity requirements for day-to-day operations;
- Ensuring financial support can be provided across the Group; and
- Maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. The Group's short-term liquidity requirements are wholly funded by advance annuity premium payments and investment coupon receipts out of which contractual payments need to be made. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with annuity liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

The cash flow characteristics of the lifetime mortgages are reversed when compared with annuities, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them.

Cash flow forecasts over the short, medium and long terms are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
30 June 2014				
Derivative financial instruments	1.0	4.0	453.4	–
Obligations for repayment of cash collateral received	1.8	–	–	–
Deposits received from reinsurers	261.6	1,015.3	4,257.9	–
Reinsurance finance	–	–	–	98.2
Bank borrowings	6.4	50.2	–	–
Class A loan notes	–	–	–	–
Class B loan notes	–	–	–	–
Class A preference shares	–	–	–	–
Class B preference shares	–	–	–	–
Other loans	–	–	–	–

	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
30 June 2013				
Derivative financial instruments	1.2	4.6	326.4	–
Obligations for repayment of cash collateral received	–	–	–	–
Deposits received from reinsurers	248.2	967.3	4,063.6	–
Reinsurance finance	–	–	–	94.4
Bank borrowings	5.6	56.6	–	–
Class A loan notes	–	–	13.6	–
Class B loan notes	–	–	164.8	–
Class A preference shares	–	–	–	3.7
Class B preference shares	–	–	–	45.0
Other loans	–	–	4.0	–

35 Capital

The Group and its regulated subsidiaries are required to maintain a minimum margin of solvency capital in excess of the value of its liabilities to comply with a number of regulatory requirements relating to the Group's and such subsidiaries' solvency and reporting bases. These regulatory requirements apply to individual regulated subsidiaries on a stand-alone basis and in respect of the Group as a whole, and apply to different levels within the Group and on different bases.

The amount of regulatory and economic capital required also depends on the level of risk facing the insurance and other subsidiaries in the Group, and as such correlates to economic market cycles. The Group must assess its capital resources on both a Pillar 1 (regulatory capital) and a Pillar 2 (individual capital assessment) basis and must hold sufficient qualifying regulatory capital to satisfy both tests. Pillar 1 capital requirement is calculated by applying fixed percentages to reserves in accordance with the PRA General Prudential Sourcebook, whereas the Pillar 2 capital requirement is determined following an individual capital assessment by the Group, which is then reviewed by the PRA. The Group may also be required by the Regulator to hold capital over and above that required to satisfy the Pillar 1 and 2 requirements and its Group risk profile.

The Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/or which impact the quantum of risk to which the Group is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could impact the Group's capital position, which in turn could have a negative effect on the Group's results of operations.

The Group's objectives when managing capital for all subsidiaries are:

- To comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory requirements;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- Authorised by the PRA, and regulated by the PRA and FCA – Just Retirement Limited.
- Authorised and regulated by the FCA – Just Retirement Solutions Limited.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Group capital composition

The Group's capital composition comprises the following balances in the consolidated statement of financial position:

	30 June 2014 £m	30 June 2013 £m
Share capital	50.1	21.6
Share premium	1.2	–
Reorganisation reserve	347.4	63.6
Shares held by Employee Benefit Trust	(0.1)	–
Accumulated profit	454.2	66.1
Capital attributable to owners of Just Retirement Group plc	852.8	151.3
Non-controlling interest	–	(1.2)
Total capital	852.8	150.1

Just Retirement Limited – Pillar 1 capital position

	30 June 2014 £m	30 June 2013 £m
Total capital resources	675.6	411.4
Capital resources requirement (Pillar 1)	(286.6)	(241.3)
Excess available capital resources	389.0	170.1
Cover ratio	236%	170%

36 Group entities

The Group holds investment in the ordinary shares (unless otherwise stated) of the following principal subsidiary undertakings:

	Principal activity	Country of incorporation	Percentage of nominal share capital and voting rights held
Just Retirement Group Holdings Limited	Holding Company	England & Wales	100%
Just Retirement (Holdings) Limited ¹	Holding Company	England & Wales	100%
Just Retirement Limited ²	Life assurance	England & Wales	100%
Just Retirement Solutions Limited ²	Distribution	England & Wales	100%
Just Retirement Management Services Limited ²	Management services	England & Wales	100%
TOMAS Acquisitions Limited ²	Holding company	England & Wales	100% ^{4,5}
The Open Market Annuity Service Limited ³	Software solutions	Northern Ireland	100%
TOMAS Online Development Limited ³	Software development	Northern Ireland	100%

¹ Subsidiary of Just Retirement Group Holdings Limited.

² Subsidiaries of Just Retirement (Holdings) Limited.

³ Subsidiaries of TOMAS Acquisitions Limited.

⁴ Class "A" and Class "B" ordinary shares.

⁵ Remaining ownership of TOMAS Acquisitions Limited (28.3%) was acquired during the year

All subsidiary undertakings have a financial year end of 30 June.

37 Related parties

The Group has related party relationships with its immediate parent and ultimate parent company. All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprise the Directors of the Company, Directors of subsidiary undertakings and certain members of senior management.

There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Short-term employee benefits	5.3	3.4
Long-term employee benefits	–	0.1
Share-based payments	0.2	–
Total key management compensation	5.5	3.5

In relation to the Group's previous long-term incentive scheme, certain key management personnel had loan agreements with the Just Retirement Employee Benefit Trust and Just Retirement Management Services Limited, both of which are related parties. The aggregate value of the loans and amounts outstanding are shown below. All loans including accrued interest were repaid as part of the share reorganisation:

	Maximum amount of loan £'000	Amount outstanding at 30 June 2014 £'000	Amount outstanding at 30 June 2013 £'000
Loans to key management personnel	2,736	–	2,692

38 Ultimate parent company and ultimate controlling party

The ultimate parent undertaking of the Group is Avallux S.à.r.l, a company incorporated in Luxembourg. The Directors consider the ultimate controlling party to be funds advised by Permira LLP. The funds have a controlling interest of 100% in Avallux S.à.r.l.

Permira is an international private equity firm advising private equity funds raised from a diverse group of investors in public and corporate pension funds, insurance companies, charities and foundations, banks and government entities.

See note 8 for details regarding the remuneration of Directors.

39 Post balance sheet events

There have been no material events between 30 June 2014 and the date of this report that are required to be brought to the attention of shareholders.

European embedded value

Supplementary financial statements

Just Retirement Group plc has prepared supplementary financial statements for the Group on an EEV basis. The EEV basis results have been prepared in accordance with the European Embedded Value Principles issued by the CFO Forum of European Insurance Companies in May 2004 and disclosure guidance issued in October 2005. Life insurance products are, by their nature, long term and the profit on this business is generated over a significant number of years. Accounting under IFRS alone does not, in the Group's opinion, fully reflect the value of future cash flows. The Group considers that embedded value reporting provides investors with a measure of the future profit streams of the Group's in-force long-term business and is a valuable supplement to statutory accounts.

Summarised statement of comprehensive income

For the year ended 30 June 2014

	Note	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Operating profit for covered business	6	97.7	84.5
Operating loss of distribution company		(0.7)	(1.1)
Operating loss from other Group companies		(16.8)	(37.0)
Operating profit		80.2	46.4
Economic variance	6	106.5	48.2
Profit before tax		186.7	94.6
Tax			
Covered business	6	(45.8)	(31.2)
Other		(0.8)	4.0
Total comprehensive income		140.1	67.4

For the purposes of EEV reporting, the distribution company is considered to be a stand-alone business and its activities do not relate to the sale of Just Retirement Limited products alone. Therefore its losses have not been included on a look-through basis as expenses of the covered business.

Group statement of changes in equity

for the year ended 30 June 2014

	Year ended 30 June 2014			Year ended 30 June 2013		
	Covered business £m	Non-covered business £m	Total £m	Covered business £m	Non-covered business £m	Total £m
Opening Group EEV	491.2	(302.4)	188.8	366.2	(257.5)	108.7
Total comprehensive income for the period	157.9	(17.8)	140.1	100.0	(32.6)	67.4
Exchange of preference shares	–	80.8	80.8	–	–	–
Exchange of loans and loan notes	–	258.4	258.4	–	–	–
Shares issued for cash	–	300.0	300.0	–	–	–
Share issue costs ¹	–	(13.0)	(13.0)	–	–	–
Capital injections	50.0	(50.0)	–	25.0	(13.0)	12.0
Share-based payments	–	4.3	4.3	–	0.7	0.7
Acquisition of non-controlling interest	–	(0.3)	(0.3)	–	–	–
Closing Group EEV	699.1	260.0	959.1	491.2	(302.4)	188.8

¹ Total share issue costs incurred were £18.4m, consisting of £13.0m recognised directly in reserves in the current period, £2.3m recognised in comprehensive income for the current period, and £3.1m recognised in the prior period.

Group statement of financial position

As at 30 June 2014

	30 June 2014 £m	30 June 2013 £m
Assets		
Value of in-force business	202.5	133.8
Intangible assets	3.8	5.6
Equipment	1.0	1.6
Financial assets	8,054.5	6,475.7
Reinsurance assets	3,681.8	3,522.3
Deferred tax assets	3.8	4.6
Current tax assets	0.6	–
Prepayments and accrued income	91.4	84.4
Insurance and other receivables	5.0	18.1
Cash and cash equivalents	54.4	40.6
Total assets	12,098.8	10,286.7
Equity		
	959.1	188.8
Liabilities		
Insurance liabilities	7,258.4	6,243.8
Loans and borrowings	51.6	55.2
Other liabilities	3,752.8	3,611.0
Other provisions	7.1	4.0
Current tax liabilities	20.1	7.9
Accruals and deferred income	16.4	16.4
Insurance and other payables	33.3	159.6
Total liabilities	11,139.7	10,097.9
Total equity and liabilities	12,098.8	10,286.7

The notes form an integral part of these supplementary financial statements.

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

Simon Thomas
Group Finance Director

Shayne Deighton
Group Chief Actuary

Reconciliation of shareholders' equity on IFRS basis to shareholders' equity on EEV basis

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Shareholders' equity on IFRS basis	852.8	150.1
Asset valuation differences	554.0	397.0
Liability valuation differences	(674.5)	(528.8)
Deferred tax	24.3	36.7
Value of in-force business	202.5	133.8
Shareholders' equity on EEV basis	959.1	188.8
Analysis of ordinary shareholders' equity		
IFRS basis ordinary shareholders' equity	852.8	150.1
Additional retained profit on an EEV basis	106.3	38.7
	959.1	188.8

The asset valuation differences of £554.0m (2013: £397.0m) are caused largely by the different valuation of the lifetime mortgages under IFRS compared to EEV and the removal of intangible assets recorded under IFRS, which are not recognised on the EEV basis. The liability valuation differences of £(674.5)m (2013: £(528.8)m) are caused largely by the different discount rates used to value the annuitant liabilities. A higher discount rate arises in IFRS due to the lower value placed on the lifetime mortgages.

Notes to the European embedded value

Supplementary financial statements

1) Basis of presentation

The Group's primary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Group has also prepared these supplementary financial statements that have been prepared in accordance with the European Embedded Value Principles.

As explained in note 1 to the IFRS consolidated financial statements, during the period the Group has performed a reorganisation whereby JRGHL has been replaced by Just Retirement Group plc ("JRG") as the Group holding company and has subsequently completed a premium listing on the London Stock Exchange. These supplementary financial statements are presented as a continuation of the supplementary financial statements of JRGHL, the previous intermediate Group holding company. The comparatives have been adjusted to reflect consolidation adjustments at JRGHL.

The EEV basis results have been prepared in accordance with the EEV principles issued in May 2004 by the European Insurance CFO Forum (the "CFO Forum"), and supplemented by the Additional Guidance on EEV Disclosures published in October 2005. The Group has in addition adopted a method for calculating the liquidity premium consistent with that proposed in the March 2010 paper published by the Committee of European Insurance and Occupational Pensions Supervisors, ("CEIOPS") in conjunction with the CFO Forum and the CRO Forum (a professional risk management group that focuses on developing and promoting industry best practices in risk management primarily in the insurance industry). The Directors believe that the supplementary statements appropriately reflect its underlying profitability whilst continuing to adhere to EEV Principles.

The Directors' view is that embedded value reporting provides shareholders with additional information on the financial position and current performance of the Group to that otherwise provided in the primary financial statements. Under the EEV method, the total profit recognised over the lifetime of a policy is the same as that recognised under alternative reporting bases, but the timing of recognition is different.

The Group uses EEV methodology to value all lines of insurance business within Just Retirement Limited ("JRL", or "the Company"), the covered business of the Group. No other Group companies contain any covered business and the value of these companies has been included in the Group EEV at IFRS net asset value less the value of goodwill and intangibles to the extent that their recovery is supported by future profits.

The directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles. The supplement included an unqualified audit report from the auditors.

2) Methodology

The following methodology applies to the covered business of the Group.

A. Embedded value overview

In reporting under the EEV Principles, the Group has chosen to adopt a "bottom-up" approach to the allowance for risk. The approach makes an explicit allowance for part of the spread (that part being referred to as "liquidity premium") expected to be earned on corporate bonds. This has been achieved by increasing the discount rate used for valuing annuity liabilities by that liquidity premium.

The embedded value is the sum of adjusted net worth of the Group companies, plus the value of in-force covered business, this being the present value of profits that will emerge over time.

The net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the long-term business fund. The shareholders' net assets in respect of the life company have been derived from the annual regulatory returns submitted to the Prudential Regulation Authority ("PRA"). The net worth represents the market value of the assets of the life company in excess of the insurance and non-insurance liabilities of the life company as assessed on the regulatory basis. For other Group companies, the net worth is the IFRS net asset value less the value of goodwill and intangibles to the extent that their recovery is supported by future profits.

The value of in-force business is the present value of projected after-tax profits emerging in future from the current in-force business less the cost arising from holding the required capital to support the in-force business. The future cash flows are projected using best estimate assumptions for each component of the cash flow.

The value of new business is the present value of projected after-tax profits emerging in future from new business sold in the period less the cost arising from holding additional capital to support this business. The figures shown also include the additional expected return between the point of sale and the reporting date.

B. Covered business

The business to which the EEV Principles have been applied is defined as the covered business. The covered business includes all business written by the life company. In particular:

- Long-term business operations. This is business falling under the definition of long-term insurance business for UK regulatory purposes and principally comprises:
 - Pension lifetime annuities;
 - Fixed term pension annuity contracts;
 - Defined Benefit Scheme contracts; and
 - Immediate Needs Annuities.

In addition, some purchased life annuity business has been written, but this has not been written in significant volumes. Although it has been allowed for in the calculations, it has not been explicitly modelled. The impact of this approximate treatment is not material.

- Lifetime mortgages. These are held as investments to back the pension annuity contracts.

C. New business

All of the covered business is written on a single premium basis. New business is defined to be all single premiums received in the period in respect of annuity policies completed in the period and all cash advances made during the period in respect of lifetime mortgages. No allowance is made in the embedded value for the value of any future new business written after the reporting date.

For the value of new business, the Group has used economic assumptions determined at point of sale and has generally used opening period non-economic assumptions. The Group considers point of sale economic assumptions, rather than economic assumptions determined at either the opening or closing dates, to be more appropriate given the nature of its business.

Any changes to non-economic assumptions and methodology in respect of new business are introduced at the reporting date. The impact of these changes on the value of new business at the end of the year is therefore included within the analysis of the embedded value profit in the operating assumption changes.

D. Components of value

The values of in-force business and new business each comprise four components:

- Certainty equivalent value; less
- Time value of financial options and guarantees; less
- Allowance for non-market risk; less
- Cost of capital.

(i) Certainty equivalent value

The certainty equivalent value is the value of the future cash flows, excluding the time value of financial options and guarantees. It is calculated assuming assets earn the reference rate and the cash flows are discounted at the reference rate.

The future cash flows are those arising from the assets backing the liabilities as assessed on a regulatory basis and from the liabilities themselves. The projection of the regulatory liabilities assumes the continuation of the bases used to calculate the liabilities at the valuation date.

The regulatory equivalent of the value of the provision for the guarantee described in (ii) below is included in the shareholders' net assets and this is reversed out in the certainty equivalent value.

(ii) Time value of financial options and guarantees

The only material financial options and guarantees within the covered business arise from the no-negative equity guarantee under the lifetime mortgage business. Under this guarantee, the amount recoverable by the Group on termination of the mortgage is generally capped at the net sale proceeds of the property. Circumstances where this guarantee does not apply are those where the mortgage redemption is not accompanied by a sale of the underlying property. This could occur when, for example, the property is remortgaged with another provider.

This guarantee is explicitly allowed for in the calculations. The value of this guarantee has been estimated using a variant of the Black-Scholes option pricing formula. The formula incorporates a number of assumptions, including those for risk-free rates, future property growth and property volatility.

The value of the financial options and guarantee shown in the presentation is the total value of this guarantee, net of tax, assessed on a realistic basis (it includes any intrinsic value in the option).

(iii) Allowance for non-market risk

The key non-market (or diversifiable) risks faced by the Company are mortality (including longevity), early redemptions on lifetime mortgages and operational risks. In principle no explicit adjustment is required for non-market risks because the capital markets do not require an additional return for risks which can be diversified away. However, this is only true if the assumptions made as regards future experience are set so as to give the mean of the expected outcome (including allowing for the tails of the distribution) and that all cash flows have been allowed for.

The Company has set the assumptions in respect of mortality and lifetime mortgage early redemptions with the intention that they give the mean of the expected outcome, including allowing for the tails of the distribution. As such, no further adjustment has been made in respect of these risks.

However, the certainty equivalent value and the time value of financial options and guarantees make no allowance for the cost of possible operational risks and the Company has made an explicit allowance for these risks.

In the valuation approach used, the market (or non-diversifiable) risks faced by the Company are allowed for directly in the valuation of the cash flows.

(iv) Cost of capital

In addition to holding assets to back the covered business, the Company also has to hold additional shareholder capital to support the business. The amount of capital has been assessed taking into account the Company's own internal assessment of its capital requirements and the amount required under the UK Solvency I regulatory environment.

The cost of capital represents the frictional costs of having to retain this capital. The Group has taken these frictional costs to be any tax payable in respect of future investment returns earned on this capital and the associated investment management costs.

The required capital is provided by the retained surplus in the long-term business fund and the retained earnings and issued share capital in the shareholder fund.

E. Valuation of cash flows

Within the calculation of the value of in-force business and value of new business, the reference rate used for valuing the annuity cash flows has been set equal to the mid-market swap rate, plus a liquidity premium adjustment. The same rate has been used to value the lifetime mortgage cash flows deemed to be backing the annuity business. All other cash flows (including those from the lifetime mortgages that are not deemed to back the annuity business and those underlying the calculation of the cost of capital) have been valued using the mid-market swap rate, as the reference rate.

(i) In-force business

For the in-force business the liquidity premium adjustment has been derived from the iBOXX Sterling Corporate Bond Index. The liquidity premium is calculated as 50% of the Index Asset Swap Margin at the relevant reporting date less 40bp, with that result then subject to rounding.

(ii) New business

For new business written during the financial year the liquidity premium varies by the month of policy inception. The liquidity premium adjustment applied to each month's new business is consistent with the approach adopted for in-force business except that the value of the Index Asset Swap Margin for each month's new business is a weighted average for the month using the amounts of annuity premium received each day as the weights.

In the calculations it has been assumed that each month's new lifetime mortgage business is available to match part of that month's new annuity business and the remaining new annuity cash flows are backed by bonds.

F. Reinsurance

The Group has put in place reinsurance arrangements in respect of the annuity business, whereby part of the mortality risk is transferred to the reinsurers. In addition the Group receives an initial financing payment which is repayable out of future surplus emerging. Some associated initial and renewal fees are also payable to the reinsurers.

The face value of the amount owed to the reinsurers at the relevant reporting date together with all management fees expected to be paid in the future has been explicitly allowed for in the value of the in-force business at the reporting date.

The risk transfer is not reflected in the EEV because, on the assumptions used, the Group expects to recapture the treaty once remaining financing has been repaid.

The Group has put in place separate reinsurance arrangements for the defined benefit and immediate needs annuity business. Part of the mortality risk is transferred to the reinsurers by means of a mortality swap arrangement where JRL will pay reinsurance premiums equal to their share of expected claims according to the reinsurers' mortality assessment, and the reinsurers will pay reinsurance claims equal to their share of actual payments made.

G. Taxation

The projected cash flows take into account all tax which the Company expects to pay. The calculations are undertaken assuming current tax legislation and rates continue unaltered.

Embedded value profits have been calculated on an after-tax basis and have then been grossed up at the full corporation tax rate to arrive at a pre-tax level for reporting in the Summarised Statement of Comprehensive Income.

3) Assumptions

A. Economic assumptions

Reference rates

The term structure of the reference rates has been derived from mid-market swap rates. The resulting rates reflect the shape of the swap rate curve. For new business the rates have been derived from the swap rates applicable on the date each payment was received for annuity policies or the date each mortgage advance was completed as appropriate.

Sample mid-market swap rates at 30 June 2014 and 30 June 2013 are shown in the following table:

Swap rates (at sample terms, %)

Term (years)	1	5	10	20	30
30 June 2014	0.9	2.2	2.8	3.2	3.2
30 June 2013	0.7	1.5	2.6	3.2	3.3

The in-force liquidity premium adjustment as at 30 June 2014 was 51bp (2013: 77bp). The liquidity premium adjustment for each month's new business has varied over the financial year but the effect is equivalent to an average adjustment of 59bp (2013: 84bp) for each month's new business.

Residential property assumptions

When calculating the value of the no-negative equity guarantee on the lifetime mortgages, certain economic assumptions are required within the variant of the Black-Scholes formula.

The market against which to assess these assumptions and calibrate the cost of the no-negative equity guarantee at any point in time is neither deep nor liquid. The Group has therefore set these assumptions taking into account information available to it from within the capital markets linked to the assessment of the indicative costs of hedging out such exposures and published UK residential property historic price movements.

In the formula the risk-free rate used is the mid-market swap rate.

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has assumed that residential property will grow in line with a bespoke house price inflation curve. This has been derived by reference to mid-market UK retail price inflation swap rates together with an explicit term dependent house price inflation spread.

Sample mid-market house price inflation rates at 30 June 2014 and 30 June 2013 are shown in the following table.

House price inflation rates (at sample terms, %)

Term (years)	1	5	10	20	30
30 June 2014	(2.1)	1.3	3.4	4.2	4.2
30 June 2013	(3.9)	1.0	3.3	4.3	4.3

In deriving an assessment of long-term UK residential property price volatility, the Group has used house price data published by the Nationwide Building Society. The Group has adjusted the derived value to allow for the additional volatility expected to be observed in the Company's portfolio compared with the market as a whole. The volatility assumption used at 30 June 2014 was 9.8% p.a. (2013: 9.9% p.a.). The volatility

assumption used for new business was 9.9% p.a.

Expense inflation

For the annuities, the assumed future rate of increases in per policy maintenance expenses is 3.7% p.a. (2013: 3.7% p.a.). For the lifetime mortgages, the assumed future rate of increases in maintenance expenses is 3.9% p.a. (2013: 4% p.a.). The difference reflects the difference in average duration of the cash flows and the shape of the RPI curve at the valuation date.

Taxation

The rate of corporation tax assumed is 22.5% throughout being the effective weighted average tax rate for the financial year (2013: 23.75%).

B. Operating assumptions

Operating assumptions have been reviewed as part of the reporting process.

Mortality

The mortality assumptions have been set by the Group taking into account the Company's own mortality experience together with relevant studies undertaken by the Continuous Mortality Investigation Bureau of the Institute and Faculty of Actuaries ("CMI"), population studies undertaken by offices of the UK government, published research materials, input from the Group's lead reinsurer and management's own industry experience.

For the annuity policies the mortality assumptions are based on the PCMA00 (males) and PCFA00 (females) mortality tables and the CMI 2012 model improvement factors. These base factors are overlaid by a series of underwriting factors applied to the base mortality rates. These adjustments are made to reflect the nature and likely incidence of the underlying risks inherent within the business written. These assumptions are unchanged from those used as at 30 June 2013.

For Defined Benefit annuity policies the mortality basis is set with reference to the base table and mortality improvement rates provided by RGA (i.e. the reinsurer with whom each DB scheme is reinsured).

For Immediate Needs annuity policies the mortality basis is set with reference to the table provided by Gen Re (i.e. the reinsurer with whom each INA policy is individually underwritten).

For the lifetime mortgages the mortality assumptions are based on the PCMA00 and PCFA00 mortality tables and the CMI 2012 model improvement factors. These assumptions have been updated from those used at 30 June 2013 to reflect the emerging experience on this business.

For Lump Sum Plus mortgages on standard terms the same mortality basis applies as used for the normal roll-up business. The underlying basis for the underlying mortgages is the same, with adjustments applied to reflect the nature and likely incidence of the underlying risks.

Mortgage repayments

Assumptions are made about the number of future mortgage repayments resulting from individuals moving into long-term care or through voluntary repayments. When deriving appropriate assumptions the Group has taken into account its own experience together with other relevant available information.

The decrement for moving into long-term care is expressed as a proportion of the underlying mortality assumption for the relevant lives. The decrement for voluntary repayments is expressed as annual percentages of the portfolio in force and exhibits a term structure based on duration in force. These assumptions have been updated from those used at 30 June 2013 to reflect the emerging experience on this business.

Expenses

The expense levels are based on internal expense analysis investigations and are appropriately allocated to the new business and policy maintenance functions. Acquisition expenses have been fully allocated to the values of new business for each product.

The Group has set maintenance expense allowances for each product which it considers to be realistic.

In calculating the embedded value, an adjustment has been made equal to the net present value of any expected future maintenance expense overruns.

Investment expenses have been set by reference to the expenses payable under the investment management arrangements.

Some of the expenses incurred in the financial period to 30 June 2014 have been considered exceptional and one-off in nature. These exceptional expenses have been identified separately and have not been included in the calculation of the value of in-force business or in the value of new business although they have been reflected in the operating profit. Total exceptional expenses for the year ended 30 June 2014 were £10.8m (2013: £5.8m).

The look-through principle has not been applied to the losses in the Distribution Company arising from the sale of products arising from the covered business, and so these losses have not been included as a deduction against the value of new business. The Distribution Company is considered to be a stand-alone business and its activities do not relate solely to the sale of JRL products. The recognised loss in the Distribution Company has been accounted for on an IFRS basis, separately to the results of the covered business.

The remaining expenses are included within operating results of the Distribution and other Group companies and have been accounted for on an IFRS basis.

Non-market risk

At 30 June 2014 the provision for non-market risk has been established as 0.18% of the mathematical reserves in respect of annuity business. At 30 June 2013 the provision was 0.22% of the mathematical reserves in respect of annuity business. For the value of new business in the period to 30 June 2014, a deduction of 0.22% of gross statutory reserves at point of sale has been applied.

Required capital

At 30 June 2014 the assumed level of required capital to support the business represents 175% of JRL's long-term insurance capital requirement ("LTICR") together with 175% of the resilience capital requirement ("RCR"), as set out in PRA regulations. At 30 June 2013 the assumed level of required capital to support the business represented 140% of the LTICR and 140% of the RCR.

4) Group embedded value

The following table sets out the Group embedded value as at the current and previous reporting dates:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Just Retirement Limited		
Shareholders' net assets	496.6	357.4
Value of in-force business		
-Certainty equivalent value	293.6	214.6
-Time value of financial options and guarantees	(45.1)	(46.1)
-Allowance for non-market risk	(10.0)	(10.2)
-Cost of capital	(36.0)	(24.5)
Value of in-force business	202.5	133.8
Embedded value of Just Retirement Limited	699.1	491.2
Net assets/(liabilities) of other Group companies	260.0	(302.4)
Group embedded value	959.1	188.8

Based on the appropriate year-end assumptions, as set out above, the amount of required capital as at 30 June 2014 was £501.5m (2013: £337.8m). The free surplus of Just Retirement Limited at 30 June 2014 was £(4.9)m (2013: £19.6m).

5) After-tax value of new covered business of JRL

The following table sets out the after-tax value of the new business for the financial years ended 30 June 2014 and 30 June 2013.

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Certainty equivalent value	131.7	114.8
Time value of financial options and guarantees	(8.9)	(6.7)
Allowance for non-market risk	(2.0)	(2.3)
Cost of capital	(5.9)	(5.3)
Value of new business	114.9	100.5

During the year ended 30 June 2014 the amount of required capital for new business was £73.7m (2013: £69.3m).

6) Covered business analysis of movement in embedded value of JRL

The following table sets out an analysis of the embedded value profit for the year ended 30 June 2014 together with the comparative figures for the year ended 30 June 2013. In order to explain better the movement in capital flows, the composition of the embedded value profit for the current year is shown separately between the movement in free surplus, required capital and the value of in-force business.

	Free Surplus £m	Required Capital £m	Value of in force business £m	Total for year ended 30 June 2014 £m	Total for year ended 30 June 2013 £m
Opening embedded value	19.6	337.8	133.8	491.2	366.2
Expected return on opening embedded value	0.2	3.2	40.3	43.7	56.8
Expected surplus from in-force business	13.2	(12.2)	(1.0)	–	–
New business contribution	(15.0)	73.7	89.5	148.2	131.8
Operating experience variance	(20.9)	0.5	(19.1)	(39.5)	(18.2)
Operating assumption changes	(103.0)	101.1	(43.3)	(45.2)	(82.9)
Interest on Tier 2 loan	(9.5)	-	-	(9.5)	(3.0)
Operating profit for covered business	(135.0)	166.3	66.4	97.7	84.5
Economic variance ¹	86.4	(2.6)	22.2	106.0	46.7
Embedded value profit before tax	(48.6)	163.7	88.6	203.7	131.2
Tax	(25.9)	–	(19.9)	(45.8)	(31.2)
Profit after tax	(74.5)	163.7	68.7	157.9	100.0
New capital	50.0	–	–	50.0	25.0
Closing embedded value	(4.9)	501.5	202.5	699.1	491.2

¹ The economic variance of £106.5m (2013: £48.2m) reported in the Group Statement of Comprehensive Income includes £0.5m (2013: £1.5m) in respect of the fair value movement on the interest rate swap derivatives held by Just Retirement (Holdings) Limited.

The “expected return on opening embedded value” is the expected change in the embedded value resulting from a projection of the assets and liabilities over the period using expected “real world” investment returns.

The “expected surplus from in-force business” represents the surplus expected to emerge during the period from business that was in-force at the beginning of that period. The effect is a transfer of value between the value of in-force business and shareholders’ net assets, with the overall effect on the embedded value being zero.

The “new business contribution” is the value of new business at the point of sale, together with the expected return on this value between the point of sale and the end of the period.

The “operating experience variance” represents the profits and losses caused by differences between the actual experience during the period and that expected on the operating assumptions, relating to both the business in-force at the start of the period and new business written.

The “operating assumption changes” reflect changes in the assumptions in respect of future operating experience between the start and end of the period.

The “economic variance” arises from the impact of differences between the actual investment returns in the period and the expected investment returns, and the impact of the change to the end of period future economic assumptions. Further impacts have arisen between the shareholders’ net assets and value of in-force business figures due to changes in the economic assumptions used in the regulatory reserving bases. All of these impacts are calculated in relation to the start of period economic assumptions for business in-force at the start of the period and point of sale economic assumptions for new business sold in the period.

7) Operating experience variances before tax for JRL

An analysis of the key operating experience variances before tax is set out in more detail in the following table:

	Shareholders' net assets £m	Value of in-force business £m	Total for year ended 30 June 2014 £m	Total for year ended 30 June 2013 £m
Reinsurance arrangements	6.1	(11.4)	(5.3)	(0.1)
Maintenance and investment expenses	(7.2)	–	(7.2)	(7.0)
Exceptional expenses	(10.8)	–	(10.8)	(5.8)
Tax variances	(2.1)	–	(2.1)	(0.5)
Experience variances	(6.4)	(7.7)	(14.1)	(4.8)
Total operating experience variances	(20.4)	(19.1)	(39.5)	(18.2)

8) Operating assumption changes before tax for JRL

An analysis of the operating assumption changes item before tax is set out in more detail in the following table:

	Shareholders' net assets £m	Value of in-force business £m	Total for year ended 30 June 2014 £m	Total for year ended 30 June 2013 £m
Annuitant mortality assumptions	–	–	–	(82.3)
Maintenance expenses	0.5	–	0.5	(0.1)
Mortgage assumption	(0.2)	(46.3)	(46.5)	(4.0)
Tax	–	3.5	3.5	2.9
Non-market risk	–	2.9	2.9	0.6
Cost of capital	–	(10.2)	(10.2)	–
Reinsurance changes	(2.5)	(1.6)	(4.1)	–
Non-policy reserves	–	9.6	9.6	–
Model changes	0.3	(1.2)	(0.9)	–
Total operating assumptions changes	(1.9)	(43.3)	(45.2)	(82.9)

The tax item reflects the change from the effective tax rate used at the previous reporting date (23.75%) to the rate used at this reporting date 22.5%.

9) Sensitivities

The Group embedded value at 30 June 2014 and the value of new business for the year to 30 June 2014 have been recalculated to show the sensitivity of the results to changes in certain of the assumptions discussed above.

Most of the sensitivities are as prescribed by the additional guidance provided by the CFO Forum in October 2005. There is no lapse/surrender risk for the annuities and so no sensitivity to this assumption has been shown for this business. The sensitivities chosen do not represent the boundaries of possible outcomes, nor are they intended to represent events of equal likelihood, but rather illustrate how certain alternative assumptions would affect the results.

For each of the sensitivities all the other assumptions remain unchanged, unless otherwise stated. In all of the sensitivities, the statutory reserving basis was left unchanged, except for the first two where the valuation rate of interest was changed to reflect the sudden change in economic conditions.

The sensitivities tested were:

- Interest rates 1% lower than in the central case with resulting changes in asset values and reference rates. The impact for the values of new business has not been calculated for this sensitivity as the Group actively reviews its premium rates and in the event of such a sudden change in economic conditions the Group would change its rates.
- Interest rates 1% higher than in the central case with resulting changes in asset values and reference rates.
- Reference rates 10bp lower than in the central case, with no change in asset values. The purpose of this sensitivity is to illustrate the impact of using a different definition of the reference rate than basing it on mid-market swap rates.
- Credit spreads (represented by the difference between corporate bond yields and swap rates) 10bp narrower than in the central case. For this sensitivity there is no change to the liquidity premium.
- Credit spreads 10bp wider than in the central case. For this sensitivity there is no change to the liquidity premium.
- Liquidity premium 10bp lower than in the central case.
- Property market values 10% lower than in the central case.
- Implied property volatility assumption 125% of the assumption in the central case.
- Implied property volatility assumption 75% of the assumption in the central case.
- Annuitant base mortality 5% lower than in the central case (i.e. 95% of the central mortality rates).
- Lifetime mortgage base mortality 5% lower than in the central case (i.e. 95% of the central mortality rates). For this sensitivity, the allowance for moving into long-term care is also assumed to be 5% lower.
- Lifetime mortgage voluntary redemption assumption 10% lower than in the central case (i.e. 90% of the base case assumption).
- Maintenance expenses 10% lower than in the central case (i.e. 90% of base case costs) including the resulting reduction in the maintenance expense overrun.
- Corporation tax rate set to 21.5% (i.e. 1% lower than in the central case).
- Required capital equal to 100% of the LTICR plus 100% of the RCR.

Sensitivity of values to changes in assumptions

	Embedded value at 30 June 2014 £m	Value of new business for year ended 30 June 2014 £m
Central value	959.1	114.9
Impact of:		
• 1% reduction in yield curves	83.5	n/a
• 1% increase in yield curves	(66.9)	n/a
• 10bp reduction in reference rate	(9.4)	(1.7)
• 10bp reduction in credit spreads	20.3	n/a
• 10bp increase in credit spreads	(20.1)	n/a
• 10bp reduction in liquidity premium	(18.0)	(3.7)
• 10% reduction in property values	(18.9)	(5.0)
• 125% of implied property volatilities	(37.0)	(10.0)
• 75% of implied property volatilities	24.3	5.2
• 5% reduction in annuitant base mortality	(68.9)	(6.9)
• 5% reduction in lifetime mortgage base mortality	18.7	3.8
• 10% reduction in lifetime mortgage voluntary redemptions	18.7	2.1
• 10% reduction in maintenance expenses	11.6	2.3
• 1% reduction in corporation tax rate	4.1	1.9
• Required capital equal to 100% of LTICR plus 100% of RCR	15.3	2.8