NEWS RELEASE

JUST RETIREMENT GROUP PLC
www.justretirementgroup.com

24 February 2015

JUST RETIREMENT GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
RESILIENT DELIVERY RETURNING TO GROWTH

Just Retirement Group plc ("the Group") announces its interim results for the six months ended 31 December 2014.

Financial highlights

- Return to strong annuity sales of £661.2m, down just 4 per cent on pre-Budget comparison period, with strong defined benefit ("DB") sales largely offsetting anticipated weak individual volumes. In particular DB strength meant 2nd quarter total annuity sales were up 39 per cent on the prior period.
- Lifetime mortgages ("LTM") of £159m were advanced in the half year, back in line with our c.25 per cent of annuities longer term target.
- IFRS underlying operating profit before tax amounted to £42.6m, down 10 per cent due to lower new business volumes and margins.
- Group embedded value increased to £1.03bn (205p per share), up 7 per cent on 30 June 2014.
- Economic capital ratio of 171 per cent.
- Interim dividend of 1.1p per share.

Operational highlights

- Significant success in the DB market, reflecting the greater flexibility and diversification of our profit streams. DB was our largest product in H1 14/15, with a strong underlying flow of new schemes, assisted by the sale of two larger schemes of £75m and £76m. DB is now established as a core and strategically important product for the Group going forward and prospects remain positive for this growing market.
- Individual annuity volumes rose 5 per cent in Q2 compared to Q1, although there may be further volatility as new products are launched in April.
- 10th consecutive 5 star service award for life and pensions, seventh consecutive award for mortgages.
- Financial Conduct Authority ("FCA") retirement income market reform proposals to encourage more consumers to shop around when purchasing retirement income products and the introduction of additional consumer protection could enhance our market opportunity.

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

"This is our first set of results in the post-Budget environment, so I am delighted to be able to point to resilient profits, early signs of a return to growth in sales, and record embedded value. Around half of our underlying operating profit came from new business in H1 14/15, while the significant value of our back book supported total earnings. Net inflows after annuity payments and expenses are strongly positive, which underpins the growth in our back book.

We strongly welcome the FCA's proposed reforms announced in December. Further encouragement for all retirees to shop around will give us access to a larger customer base and means that a fully brokered, medically underwritten individual annuity market could finally be achievable. The FCA has also confirmed that for retirees with modest pension pots, the right annuity purchased on the open market offers good value for money relative to alternative drawdown strategies. Moreover, at Just Retirement we have no legacy issues relating to past sales of annuities or pre-2000 pension products.

We have had a very good first half and whilst it remains to be seen what the second half will bring, we face the future with confidence that demand for our new products, underpinned by our medical underwriting skills, will be strong."

Enquiries

Investors / Analysts

James Pearce, Director of Investor Relations
Telephone: +44 (0) 7715 085 099
james.pearce@justretirement.com

Media

Stephen Lowe, Group External Affairs Director
Telephone: +44 (0) 1737 827 301
press.office@justretirement.com

Temple Bar Advisory

Alex Child-Villiers
William Barker
Telephone: +44 (0) 20 7002 1080

A presentation for analysts will take place at 9.30am today at Nomura, 1 Angel Lane, London EC4R 3AB

UK FreeCall: 08006945707
United States FreeCall: 18662540808
Std International Dial-In: +44 (0) 1452 541003
Conference ID: 84366438

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

JUST RETIREMENT GROUP PLC
GROUP COMMUNICATIONS
Vale House, Roebuck Close
Bancroft Road, Reigate
Surrey RH2 7RU

FINANCIAL CALENDAR:

	Date
Record date for interim dividend	17 April 2015
Q3 Interim Management Statement 2015	12 May 2015
Payment of interim dividend	14 May 2015
Preliminary Results for the year ended 30 June 2015	17 September 2015

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.

Key Financial Highlights

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
New business sales	820.2	906.1	1,750.6
New business operating profit	18.2	27.1	53.1
In-force operating profit	24.4	20.2	43.6
Underlying operating profit	42.6	47.3	96.7
European embedded value	1,028.1	892.3	959.1
Economic capital coverage ratio	171%	188%	178%

Introduction

The first half of our 2014/15 financial year has been both challenging and exciting as we began to see the effects of the Budget reforms announced by the Chancellor on 19 March 2014, and as we worked to develop our response. As expected, we have seen a marked decline in individually underwritten annuity ("IUA") sales – although not to the extent that some commentators had initially predicted.

We have achieved significant success in sales of our DB product, which has very nearly offset the reduction experienced in IUA sales. During the period we completed 17 DB schemes, including two schemes for £75m and £76m.

We are well placed to take on the challenges that will emerge post-April when the second wave of Budget reforms take effect. From April we will start the roll-out of our guaranteed income for life products which have been improved to take advantage of the legislative changes and introduce our new flexible fund-based products designed to provide those at- and in-retirement with additional choice in using their defined contribution pension savings.

Performance Review

Total annuity sales, representing IUA, Fixed Term Annuities ("FTA") and DB sales, for the half year ended 31 December 2014 totalled £661.2m, a decrease of just 4% compared to the same period last year, reflecting the significant growth in our DB sales, largely offsetting the expected fall in IUA sales post-Budget.

IUA sales volumes were down 58% compared to H1 2013/14, although sales volumes for the second quarter of the current year were slightly up compared to the first quarter.

FTA volumes of £35.3m fell only 4% compared to H1 2013/14, which reflects the launch of our one-year FTA shortly after the Budget. This product was used by customers to defer long-term decisions until after the Budget changes take effect, so FTA sales may fall as we approach April 2015.

Our DB division surpassed the level of IUA sales in H1 2014/15, which is noteworthy given that the unit was only founded in 2012. However, Q2 was exceptional due to the inclusion of two schemes of £75m and £76m. Prospects remain positive for this growing market.

Lifetime mortgages of £159m were advanced in the half year, back in line with our longer-term target of c.25% of annuities.

The margin on new business, measured as the ratio of new business operating profit to IUA and DB sales, amounted to 2.9% (H1 2013/14: 4.2%). The reduced margin reflects a combination of the increased competition in the IUA market and the continued falling interest rate environment experienced during the half year. In-force operating profit increased compared to the prior year reflecting the growth in size of the in-force book of business (H1 2014/15 £24.4m; H1 2013/14 £20.2m).

Overall, operating profit fell to £34.9m (H1 2013/14 £40.0m) mainly as a result of the reduction in new business operating profit during the period, partially offset by increased in-force operating profit.

Financial assets continued to increase, from £7.5bn at 30 June 2014 to £8.8bn at 31 December 2014, mainly as a result of new business premiums received in the period, together with the impact of falls in interest rates in the period.

The Group's consolidated net assets at 31 December 2014 were £834.4m (30 June 2014: £852.8m). The loss after tax for the half year ended 31 December 2014 was £8.3m (H1 2013/14 profit of £22.0m), with investment fluctuations offsetting our operating profits.

Group European Embedded Value ("EEV") amounted to £1,028.1m at 31 December 2014 (30 June 2014: £959.1m), and included new business value amounting to £48.6m (H1 2013/14: £47.4m).

The capital positions of the Group and of the life company, Just Retirement Limited, remain comfortably in excess of our target cover.

I am also delighted to confirm that we recently received a license to provide retirement income solutions from South Africa's Financial Services Board. I expect us to sell our first policies in this exciting new market later in the year, driven by our underwriting expertise.

Since the Budget announcement in March 2014, the Group has been developing new products and enhancing its existing product offering to ensure we are well placed to enable those at- and in-retirement to take advantage of the new freedoms available to them from April 2015. The impact of the Budget reforms being implemented in April 2015 remains unpredictable, and the prospect of new product launches means that some retirees are deferring retirement decisions until after April and beyond. Our planned new proposition means that we will be able to help retirees who want to leave some of their money at work in the markets rather than converting all of their savings into a guaranteed income for life.

While our Budget response work caused a delay to the second phase implementation of our automated medical underwriting system, PrognoSys™, this is about to go live. PrognoSys™ delivers an individual mortality curve for each customer, which shows the probability of any given customer's death at any time in the future and is a powerful tool for pricing and reserving that will further enhance the Group's significant competitive advantage.

The Group continues to work on its Solvency II implementation, in preparation for the go-live date of 1 January 2016. Our internal model application and approval process will begin formally this year, and this is a key area of focus for us this year.

We are very proud to have been recognised once again by the industry for the quality of our service, receiving 5 star ratings at the 2014 Financial Adviser Service awards. This means we are unique in having held 5 star ratings for 10 consecutive years for Life and Pensions and for seven years in the Mortgage Lenders and Packagers category, a testament to the strength of our customer focus and the quality of support provided to financial advisers and their clients.

Outlook

We strongly welcome the FCA's proposed reforms announced in December. Further encouragement for all retirees to shop around will give us access to a larger customer base and means that a fully brokered, medically underwritten individual annuity market could finally be achievable. The FCA has also confirmed that for retirees with modest pension pots, the right annuity purchased on the open market offers good value for money relative to alternative drawdown strategies. Moreover, at Just Retirement we have no legacy issues relating to past sales of annuities or pre-2000 pension products.

We have had a very good first half and whilst it remains to be seen what the second half will bring, we face the future with confidence that demand for our new products, underpinned by our medical underwriting skills, will be strong.

Rodney Cook

Chief Executive Officer

Business review

Overview

The six months to 31 December 2014 represent the Group's first full half year of trading following the sweeping changes to the pensions market announced by the Chancellor in his March 2014 Budget.

Whilst we have experienced, as expected, a decline in our IUA sales, the impact of the Budget reforms on the annuity market have not been as severe as initially predicted, and we experienced a slight pick-up in IUA volumes from Q1 to Q2 of this financial year. However, volumes may remain under pressure into Q3 and beyond, as people defer retirement decisions until the 2014 Budget reforms are implemented and new products become available after April 2015.

We have achieved significant growth in our DB business during this half year period, very nearly offsetting the fall in individual annuity sales. We believe our prospects remain positive within this growing market and we have a robust pipeline.

The Group believes that medically underwritten guaranteed income for life solutions will be a core product for those people taking benefits from their defined contribution pension savings. The FCA retirement income market reforms announced in December 2014 should encourage more customers to shop around when purchasing products, and could enhance our market opportunity.

Key performance indicators ("KPI's")

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

New business sales

£820.2m (H1 2013/14: £906.1m)

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

The table below sets out a breakdown of new business sales for the six months to 31 December 2014 and 31 December 2013:

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	
Individually underwritten annuities[1]	271.2	645.8	(58)%
Fixed term annuities	35.3	36.6	(4)%
Defined benefit solutions	354.7	5.4	N/M
Total annuities	**661.2**	**687.8**	**(4)%**
Lifetime mortgage advances	159.0	218.3	(27)%
Total new business sales	**820.2**	**906.1**	**(9)%**

[1]Includes sales of individually underwritten and immediate needs annuities ("INA")

New business sales totalled £820.2m for the six months ended 31 December 2014 (H1 2013/14: £906.1m). The fall in IUA sales follows the Budget announcement last March, although the actual reduction in sales was not as severe as some initial predictions. FTA sales have benefited from the introduction of our one-year FTA contract launched in response to the Budget announcements. DB sales were strong for the half year, during which we wrote 17 schemes, including two schemes of £75m and £76m.

LTM sales have been managed down given the fall in annuities, and are now in line with our longer-term target of c.25% of annuities.

New business operating profit

£18.2m (H1 2013/14: £27.1m)

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

The decrease in new business operating profit mainly reflects the lower margins achieved for new business written, as a result of a combination of increased competition in the IUA market and the continuing falling interest rate environment experienced throughout the period.

In-force operating profit

£24.4m (H1 2013/14: £20.2m)

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

In-force operating profit has emerged in line with expectation. The absolute increase mainly reflects the continuing growth of the in-force book of business.

Underlying operating profit

£42.6m (H1 2013/14: £47.3m)

Underlying operating profit is the sum of the new business operating profit and in-force operating profit. This measure excludes the impact of one-off assumption changes and investment variances, and the Board considers it to be a key indicator of the progress of the business and a useful measure for investors and analysts when assessing the Group's financial performance and position.

The decrease in underlying operating profit reflects the movements in new business and in-force operating profit explained above.

European embedded value

£1,028.1m (30 June 2014: £959.1m)

European embedded value ("EEV") represents the sum of the shareholders' net assets and the value of in-force business, and is a key measure in assessing the future profit streams of the Group's long-term business. It also recognises the additional value of profits in the business that has been written but not yet recognised under IFRS accounting.

EEV at 31 December 2014 was £1,028.1m, an increase of £69m compared to the closing value of £959.1m at 30 June 2014. The increase reflects the value of new business written in the period and the return on the existing business and investment variances, offset by experience variances.

Economic capital coverage ratio

171% (30 June 2014: 178%)

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

The Group's Economic capital position at 31 December 2014 was 171%, comfortably in excess of target cover.

IFRS results

The analysis of the IFRS results for the half year ended 31 December 2014, the half year ended 31 December 2013 and the year ended 30 June 2014 are presented in the table below:

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
New business operating profit	18.2	27.1	53.1
In-force operating profit	24.4	20.2	43.6
Underlying operating profit	**42.6**	**47.3**	**96.7**
Operating experience and assumption changes	(1.2)	(0.3)	(2.8)
Reinsurance and bank finance costs	(6.5)	(7.0)	(13.4)
Operating profit before tax	**34.9**	**40.0**	**80.5**
Non-recurring and project expenditure	(9.9)	(4.4)	(7.0)
Restructuring costs	-	-	(5.4)
Investment and economic (losses)/profits	(32.3)	8.5	44.1
(Loss)/profit before corporate costs and before tax	**(7.3)**	**44.1**	**112.2**
Finance and other costs incurred by corporate companies	(1.9)	(15.3)	(17.1)
Listing costs	-	(2.3)	(2.3)
(Loss)/profit before tax	**(9.2)**	**26.5**	**92.8**
Tax	0.9	(4.5)	(20.3)
(Loss)/profit after tax	**(8.3)**	**22.0**	**72.5**

<u>Operating profit before tax</u>

Operating profit before tax represents the operating results of the Group before taking into account non-recurring and project expenditure, investment and economic (losses) / profits, and the finance and other costs incurred by corporate companies.

Operating profit before tax for the half year ending 31 December 2014 totalled £34.9m, a decrease of £5.1m compared to the half year ending 31 December 2013. The movement has been largely driven by a lower underlying operating profit, as explained above.

New business operating profit

As discussed in ‘Key performance indicators’ above.

In-force operating profit

As discussed in ‘Key performance indicators’ above.

Operating experience and assumption changes

Operating experience and assumption changes capture the impact of actual operating experience differing from that assumed at the start of the period, plus the impact of changes to future operating assumptions applied during the period. It also includes the impact of any expense reserve movements, the results of non-insurance group operating companies and other sundry operating items.

For the half year to 31 December 2014, operating and assumption changes amounted to a loss of £1.2m compared to a loss of £0.3m for the half year to 31 December 2013.

Reinsurance and finance costs

Reinsurance and finance costs include the interest charge on bank loans and reinsurance financing, together with reinsurance fees incurred during the period.

Reinsurance new business fees have decreased as a result of lower reinsured new business. Finance costs relating to bank loans are lower than the prior year reflecting the reduction in loan balances as a result of scheduled repayments.

Non-recurring and project expenditure

Non-recurring and project expenditure includes any one-off, regulatory, project and development costs.

The costs incurred in the period to 31 December 2014 mainly relate to the Group's continued preparations for Solvency II, and new product development in response to the Budget changes announced in March 2014.

Investment and economic (losses) / profits

Investment and economic (losses) / profits reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, and the actual returns earned. Investment and economic (losses) / profits also reflect the impact of assumption changes in future expected risk free rates, corporate bond defaults and house price inflation and volatility.

For the half year to 31 December 2014, investment and economic losses were £32.3m (H1 2013/14: profit of £8.5m), largely reflecting the impact of a widening of credit spreads and falls in the property house price index.

Finance and other costs

Finance and other costs represent the finance costs arising from the loan notes and preference shares in issue pre-IPO and other holding company non-operating costs.

In the half year to 31 December 2014 these costs represent amortisation of intangible assets of £1.9m.

The costs of £15.3m recorded in the prior period related mainly to interest costs on loan notes and preference shares which were redeemed in November 2013 when the Group was re-organised prior to its IPO, and are therefore no longer being incurred.

(Loss) / profit before tax

Loss before tax totalled £9.2m for the six months ended 31 December 2014 (H1 2013/14: profit of £26.5m), mainly as a result of the impact of investment and economic losses.

(Loss) / profit after tax

Loss after tax for the half year ended 31 December 2014 totalled £8.3m (H1 2013/14: profit of £22.0m).

Highlights from Consolidated statement of comprehensive income

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

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Gross written premium	625.9	651.2	1,200.5
Net premium revenue	512.5	630.7	978.3
Net investment income	548.4	147.7	456.9
Total revenue	**1,060.9**	**778.4**	**1,435.2**
Other operating income	2.4	2.9	6.9
Net paid claims	(119.5)	(94.9)	(206.6)
Change in net liabilities	(817.2)	(513.7)	(853.8)
Change in investment contract liabilities	(9.7)	0.7	(2.4)
Acquisition costs	(9.6)	(16.7)	(31.1)
Other operating expenses	(59.7)	(60.3)	(126.8)
Finance costs	(56.8)	(69.9)	(128.6)
Total claims and expenses	**(1,072.5)**	**(754.8)**	**(1,349.3)**
(Loss)/profit before tax	**(9.2)**	**26.5**	**92.8**
Income tax	0.9	(4.5)	(20.3)
(Loss)/profit after tax	**(8.3)**	**22.0**	**72.5**

Gross written premium

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

Gross written premiums for the period were £625.9m, a decrease of 4% on the prior period, due to a significant fall in IUA premiums offset by a significant increase in the amount of DB business written.

Net premium revenue

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

Net premium revenue decreased by 18.7% during the period. There was no reinsurance recapture in the current period (H1 2013/14: £263.1m), which in the prior period offset the reinsurance premiums ceded thereby increasing the net premiums reported.

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 £400.7m, from £147.7m for the half year ended 31 December 2013 to £548.4m for the half year ended 31 December 2014. The main driver for this increase is the significant fall in interest rates during the period, which has increased the unrealised gains on financial assets.

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 for the period increased by £24.6m, reflecting the continued increase in size of the in-force book.

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 £303.5m from £513.7m for the half year ended 31 December 2013 to £817.2 for the half year ended 31 December 2014. The gross change in liabilities was impacted by the significant fall in interest rates over the six month period. This was offset by a higher movement in reinsurers' share of liabilities than in the prior period, the prior period movement being reduced due to reinsurance recapture of £263.1m (H1 2014/15: no reinsurance recapture).

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 £7.1m from £16.7m for the half year ended 31 December 2013 to £9.6m for the half year ended 31 December 2014. This decrease reflects the fall in new business sales of IUA and lifetime mortgages compared to the prior period.

Other operating expenses

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

Other operating expenses decreased by £0.6m from £60.3m for the half year ended 31 December 2013 to £59.7m for the half year ended December 2014. The decrease relates to savings from the restructuring undertaken during the prior year, offset by additional costs incurred in relation to new product development and Solvency II.

Finance costs

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

Finance costs decreased by £13.1m in the half year ended 31 December 2014 from £69.9m for the half year ended 31 December 2013 to £56.8m for the half year ended 31 December 2014. The decrease is due to loan note and preference share interest costs which are no longer incurred following the Group's re-organisation at the IPO in November 2013.

Income tax

The movement in income tax reflects the result for the period.

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 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Assets			
Financial assets	8,766.6	6,788.6	7,490.0
Reinsurance assets	4,045.3	3,394.0	3,616.3
Other assets	249.9	237.6	242.7
Total assets	**13,061.8**	**10,420.2**	**11,349.0**
Share capital and share premium	51.3	330.3	51.3
Reorganisation reserve	347.4	347.4	347.4
Accumulated profit and other adjustments	435.7	124.4	454.1
Total equity	**834.4**	**802.1**	**852.8**
Liabilities			
Insurance liabilities	7,729.8	5,921.3	6,483.6
Other liabilities	4,129.7	3,401.2	3,653.6
Insurance and other payables	30.8	15.6	35.5
Other	337.1	280.0	323.5
Total liabilities	**12,227.4**	**9,618.1**	**10,496.2**
Total equity and liabilities	**13,061.8**	**10,420.2**	**11,349.0**

Financial assets

The table below provides a breakdown by credit rating of financial assets where applicable as at 31 December 2014 compared with the position at 31 December 2013 and 30 June 2014:

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
AAA* and gilts	1,145.2	694.4	614.7
AA	298.4	578.8	612.9
A	1,885.5	1,768.8	1,943.3
BBB or below	1,821.0	1,443.5	1,569.7
Loans secured by mortgages	3,616.5	2,303.1	2,749.4
Total	**8,766.6**	**6,788.6**	**7,490.0**

* AAA includes deposits held by financial institutions and units held in liquidity funds

Financial assets increased by £1.3bn from £7.5bn at 30 June 2014 to £8.8bn at 31 December 2014 due to new business volumes together with the impact of falls in interest rates in the period. The quality of the corporate bond portfolio remains high and the Group experienced no corporate bond defaults during the period (H1 2013/14: £nil). The loan-to-value ratio of the mortgage portfolio at 31 December 2014 was 26%.

Reinsurance assets increased by £0.4bn from £3.6bn at 30 June 2014 to £4.0bn at 31 December 2014 due to the continued increase in the size of the reinsured book. There was no reinsurance recapture during the period.

Insurance liabilities increased by £1.2bn from £6.5bn at 30 June 2014 to £7.7bn at 31 December 2014 due to liabilities arising on new business written less claims paid in the period, and due to the significant fall in interest rates during the period.

Other liabilities increased by £0.5bn from £3.6bn at 30 June 2014 to £4.1bn at 31 December 2014 mainly as a result of the increase in deposits owed to reinsurers, reflecting the increased size of the reinsured book.

Total equity decreased by £18.4m from £852.8m at 30 June 2014 to £834.4m at 31 December 2014, mainly reflecting the result for the period, and the £11m dividend paid to shareholders in December 2014 in respect of the year to 30 June 2014.

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 (“JRL”).

	As at 31 December 2014		As at 30 June 2014	
	Economic capital (JRG plc Group) £m	Pillar 1 (JRL) £m	Economic capital (JRG plc Group) £m	Pillar 1 (JRL) £m
Excess surplus	**387**	**254**	**440**	**389**
Coverage ratio	171%	173%	178%	236%

The Group’s Economic capital position of 171% remains comfortably in excess of target cover.

The Pillar 1 capital ratio has decreased from 236% at 30 June 2014 to 173% at 31 December 2014. This mainly reflects the impact of the falling interest rate environment experienced during the period.

The Group is considering, on an on-going basis, a range of balance sheet options, including the potential for accessing the debt capital markets.

European embedded value

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
JRH Group EEV at start of period	**-**	**503.9**	**503.9**
Net debt of JRGHL at date of IPO	-	(315.1)	(315.1)
JRGHL Group EEV at date of IPO	-	188.8	188.8
Conversion of loan notes and Preference shares	-	339.2	339.2
Proceeds from IPO	-	300.0	300.0
Share issue costs taken to reserves	-	(13.0)	(13.0)
JRG Group EEV at start of period/post IPO reorganisation	**959.1**	**815.0**	**815.0**
Total comprehensive income for the period	79.1	73.5	140.1
Dividends	(11.0)	-	-
Share based payments	0.9	3.8	4.3
Acquisition of non-controlling interest	-	-	(0.3)
JRG Group EEV at end of period	**1,028.1**	**892.3**	**959.1**

Group EEV increased by £69m in the six month period, from £959.1m at 30 June 2014 to £1,028.1m at 31 December 2014. The increase reflects the value of new business written in the period and the return on the existing business, offset by experience and investment variances.

Solvency II

The Group continues to prepare for the requirements of the new Solvency II regime, which will come into force on 1 January 2016. The Group's application for internal model approval will begin formally in 2015. It is noted that there remain some areas of uncertainty and publication of the final details, and guidance is awaited. This will remain a key priority for the Group this year.

Dividend

An interim dividend for the financial year 2014/15 of 1.1p per share, amounting to a total of £5.5m, will be paid in May 2015.

Risk management

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

The Group faces a number of principal risks and uncertainties that are reviewed on a regular basis as part of the Group's risk management framework. The main sources of risk and uncertainty arise from the environment within which the Group has chosen to execute its strategy and its exposures to insurance, future regulatory, legal and political risks.

A summary of these material risks, and the Group's objectives, policies and processes for their measurement and management, is set out below:

Economic environment

The economic environment and financial market conditions have a significant influence on the level of income, the value of assets, and the value of the Group's liabilities. The state of the major world economies is mixed. The news from the USA and the UK has been reasonably positive but the Eurozone, China and Japan's economies are mixed. There are also a number of unpredictable global dangers that could alter market perceptions of the economic outlook. Such changes may significantly influence the behaviour of the Group's target customers and the markets in which it sells its products.

The potential effects of changing financial market conditions and the characteristics of target markets are actively monitored, and alternative scenarios modelled, to understand the potential effects and the effectiveness and timing of possible management actions. Such management actions include: hedging strategies, diversification of asset holdings, product and services diversification, active participation in industry forums, and working with customers, distributors, other manufacturers and the government to help develop products and services for those at- or in-retirement.

UK retirement market

The 2014 Budget introduced unprecedented legislative changes to the retirement income market. Interim rules were in place from March 2014, although uncertainty remains until new rules come into effect from April 2015. The new rules are expected to lead to an increase in consumers' choice as to how and when to access pension savings. In advance of the 2015 General Election and pre-election Budget, politicians may continue to publicly discuss actual and possible reforms to retirement income legislation, which could create further uncertainty. Following the election there may be more changes to the current retirement landscape further increasing the number of retirees deferring their retirement income decisions.

The UK retirement market may now look more attractive to new entrants, and existing providers are innovating to retain and attract vesting pension assets, thus increasing competition. Furthermore, new freedoms introduced by the Budget have more closely aligned the UK retirement market to those of other countries in the developed world. The prospect of new entrants is increasingly likely in the LTM market from both insurance and banking providers. The EU Mortgage Credit Directive will come into force in 2016, meaning that existing mortgage providers and banks can use their advisers/brokers to advise on interest-serviced LTMs and thus target the Group's market.

Prior to the 2014 Budget, the Group was looking at a medium-term strategy to broaden its product range building on its core products of IUAs and LTMs, as well as development of its own automated underwriting system and applying for Solvency II Internal Model approval. Following the Budget announcement, the Group has reviewed its strategy, changing strategic delivery emphasis to include both defending the Group's core markets and broadening the breadth of propositions to reflect potential changes in consumer demand. Growth outside the Group's core products has therefore become increasingly important. The Group's strategy now sets out a more far-reaching development of the business, while still focused on the at-retirement market, with an increased emphasis on new product development and delivery.

Regulation

Just Retirement operates in a highly regulated market meaning that changes in relevant legislation and regulations may have a considerable effect on our strategy and day-to-day operations. Over the last few years, the financial services industry has witnessed an increase in regulatory activity, regulatory change and more intense regulatory supervision, resulting in more proactive and punitive enforcement activity. This approach increases the regulatory risk to which the Group is exposed. The regulatory agenda for the forthcoming year is again full and covers many areas directly relevant to the Group.

A new European prudential regulatory framework, Solvency II, will come into force in January 2016. Just Retirement's application for approval to calculate capital using an internal model will begin formally in 2015, with its application to use the matching adjustment mechanism following shortly after. The Prudential Regulation Authority's approach to Solvency II and internal model approval process has in some regards become clearer. Whilst the Group is well placed to transition to Solvency II, a successful outcome from the approval process is not guaranteed and contingencies are in place should approvals be delayed, conditional or not forthcoming. It remains possible that final rules, or the outcome of the approvals, may give rise to greater capital requirements, or may require changes to the structure and / or business of the Group.

The FCA's Thematic Review of Annuities Sales Practices, published in December 2014, highlighted that many customers are not informed about shopping around for enhanced annuities. The FCA is asking firms to gather evidence to determine whether customers with certain medical conditions or lifestyle factors have missed out on a higher income in retirement. This activity could be beneficial for the Group and reinforces the Group's belief in the likelihood of a fully underwritten market for guaranteed income for life solutions. The FCA's 2014/15 Business Plan, published in March 2014, identified numerous areas of focus across the financial services industry. Of particular relevance to the Group, the FCA plans to look at: (i) sales practices for customers at retirement; (ii) interest-only mortgage maturities; (iii) sales incentive arrangements; and (iv) governance over mortgage lending strategies. The outcomes of these reviews are presently unknown. The Group will participate in all relevant data/information gathering exercises and continue to help shape regulatory developments through proactive engagement with regulatory authorities and industry forums. All regulatory activities and developments are monitored, and their potential impacts assessed in line with our 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.

Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made, including customers' longevity, interest rates, administration expenses, etc. The Group is exposed to the risk that its views on these risk factors may be materially inaccurate. The Group may suffer adverse experience compared with the actuarial assumptions used in pricing products, establishing reserves and reporting business results, and that its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk remains the predominant risk factor for the Group. It is expected that the longevity profile may marginally change over the next year due to the shift in focus away from IUA to defined benefit de-risking. Insurance risk exposure is managed through reassurance arrangements and monitoring effectiveness of pricing and reserving bases comparing assumptions underlying liabilities against actual mortality experience. No changes have been made to IUA longevity assumptions during the period. The use of the Group's proprietary medical data and PrognoSys™ system provides insight and enhanced understanding into longevity risk.

Statement of Directors' responsibilities

Each of the Directors of the Company confirms that to the best of their knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34: Interim financial reporting as adopted by the European Union;
- the interim results statement includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7, namely important events that have occurred during the period and their impact on the condensed consolidated financial statements, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the condensed consolidated financial statements taken as a whole for the remaining six months of the financial year; and
- the interim results statement includes a fair review of material related party transactions and any material changes in the related party transactions described in the last annual report as required by Disclosure and Transparency Rule 4.2.8.

By order of the Board

Simon Thomas

Director

23 February 2015

INDEPENDENT REVIEW REPORT TO JUST RETIREMENT GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2014 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement and the related explanatory notes set out on pages 21 to 36.

We have also been engaged by the company to review the European Embedded Value (EEV) basis supplementary information (the supplementary information), set out on pages 37 to 51, for the six months ended 31 December 2014.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements or the supplementary information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA") and also to provide a review conclusion to the Company on the supplementary information. Our review of the condensed set of financial statements has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. Our review of the supplementary information has been undertaken so that we might state to the company those matters we have been engaged to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The supplementary information has been prepared in accordance with the EEV principles, using the methodology and assumptions detailed in the basis of preparation of the supplementary information. The supplementary information should be read in conjunction with the condensed set of financial statements.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information and the supplementary information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The scope of our work did not include detailed checking of the models and processes involved in the preparation of the results shown in the EEV supplementary financial statements. Accordingly, the scope of our review was less detailed than that which we would carry out in respect of a full audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information for the six months ended 31 December 2014 is not prepared, in all material respects, in accordance with the EEV principles, using the methodology and assumptions as detailed in the basis of preparation of the supplementary information.

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, (Statutory Auditor)
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom
23 February 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Revenue				
Gross premiums written		625.9	651.2	1,200.5
Reinsurance premiums ceded		(113.4)	(283.6)	(485.3)
Reinsurance recapture		-	263.1	263.1
Net premium revenue		512.5	630.7	978.3
Net investment income		548.4	147.7	456.9
Total revenue		1,060.9	778.4	1,435.2
Other operating income		2.4	2.9	6.9
Expenses				
Claims incurred				
Claims paid				
Gross amount		(242.6)	(210.3)	(439.6)
Reinsurers' share		123.1	115.4	233.0
		(119.5)	(94.9)	(206.6)
Change in insurance liabilities				
Gross amount		(1,246.2)	(431.0)	(993.3)
Reinsurers' share		429.0	180.4	402.6
Reinsurance recapture		-	(263.1)	(263.1)
		(817.2)	(513.7)	(853.8)
Change in investment contract liabilities		(9.7)	0.7	(2.4)
Acquisition costs		(9.6)	(16.7)	(31.1)
Other operating expenses		(59.7)	(60.3)	(126.8)
Finance costs		(56.8)	(69.9)	(128.6)
Total claims and expenses		(1,072.5)	(754.8)	(1,349.3)
(Loss)/profit before tax		(9.2)	26.5	92.8
Income tax		0.9	(4.5)	(20.3)
(Loss)/profit for the period		**(8.3)**	**22.0**	**72.5**
Attributable to:				
Equity holders of Just Retirement Group plc		(8.3)	22.2	72.9
Non-controlling interest		-	(0.2)	(0.4)
(Loss)/profit and other comprehensive income for the period		**(8.3)**	**22.0**	**72.5**
Basic earnings per share (pence)	**3**	(1.66)	5.55	16.21
Diluted earnings per share (pence)	**3**	(1.66)	5.54	16.21

The notes on pages 25 to 36 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half year ended 31 December 2014	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by Employee Benefit Trust £m	Accumulated profit £m	Total £m
Balance at 1 July 2014	50.1	1.2	347.4	(0.1)	454.2	852.8
Total comprehensive income for the period	-	-	-	-	(8.3)	(8.3)
Contributions and distributions						
Dividends	-	-	-	-	(11.0)	(11.0)
Share-based payments	-	-	-	(0.6)	1.5	0.9
Total contributions and distributions	**-**	**-**	**-**	**(0.6)**	**(9.5)**	**(10.1)**
Balance at 31 December 2014	**50.1**	**1.2**	**347.4**	**(0.7)**	**436.4**	**834.4**

Half year ended 31 December 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 2013	21.6	-	63.6	-	66.1	151.3	(1.2)	150.1
Total comprehensive income for the period	-	-	-	-	22.2	22.2	(0.2)	22.0
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*	-	(7.6)	(8.2)	-	2.8	(13.0)	-	(13.0)
Share-based payments	0.1	1.1	-	(0.1)	2.7	3.8	-	3.8
Total contributions and distributions	**28.5**	**280.2**	**283.8**	**(0.1)**	**37.6**	**630.0**	**-**	**630.0**
Balance at 31 December 2013	**50.1**	**280.2**	**347.4**	**(0.1)**	**125.9**	**803.5**	**(1.4)**	**802.1**

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*	-	(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 interest	**-**	**-**	**-**	**-**	**(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**

* Total share issue costs incurred were £18.4m, consisting of £13.0m recognised directly in reserves and £2.3m recognised through profit and loss in the 2014 financial year, and £3.1m recognised in the 2013 financial year, of which £2.8m has been transferred to the reorganisation reserve in the 2014 financial year.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Assets				
Intangible assets		77.4	81.3	77.6
Equipment		0.8	1.2	1.0
Financial assets	**5**	8,766.6	6,788.6	7,490.0
Reinsurance assets		4,045.3	3,394.0	3,616.3
Deferred tax assets		17.5	12.2	12.7
Current tax assets		0.6	-	0.6
Prepayments and accrued income		125.0	118.4	91.4
Insurance and other receivables		9.0	3.5	5.0
Cash and cash equivalents		19.6	21.0	54.4
Total assets		**13,061.8**	**10,420.2**	**11,349.0**
Equity				
Share capital		50.1	50.1	50.1
Share premium		1.2	280.2	1.2
Reorganisation reserve		347.4	347.4	347.4
Shares held by Employee Benefit Trust		(0.7)	(0.1)	(0.1)
Accumulated profit		436.4	125.9	454.2
Equity attributable to owners of Just Retirement Group plc		**834.4**	**803.5**	**852.8**
Non-controlling interest		-	(1.4)	-
Total equity		**834.4**	**802.1**	**852.8**
Liabilities				
Insurance liabilities		7,729.8	5,921.3	6,483.6
Investment contract liabilities		235.7	162.4	197.4
Loans and borrowings	**6**	46.9	51.4	51.4
Other liabilities	**7**	4,129.7	3,401.2	3,653.6
Deferred tax liabilities		31.4	38.3	33.2
Other provisions		2.8	1.8	4.8
Current tax liabilities		5.8	9.4	20.1
Accruals and deferred income		14.5	16.7	16.6
Insurance and other payables		30.8	15.6	35.5
Total liabilities		**12,227.4**	**9,618.1**	**10,496.2**
Total equity and liabilities		**13,061.8**	**10,420.2**	**11,349.0**

The notes on pages 25 to 36 are an integral part of these financial statements.

JUST RETIREMENT GROUP PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Cash flows from operating activities			
(Loss)/profit before tax	(9.2)	26.5	92.8
Depreciation of equipment	0.2	0.5	0.9
Amortisation of intangible assets	2.1	2.5	4.9
Impairment of intangible assets	-	-	1.9
Share-based payments	0.9	3.8	4.3
Interest income	(95.3)	(98.8)	(205.6)
Interest expense	56.8	69.9	128.6
Increase in financial assets	(1,386.5)	(454.3)	(1,248.3)
(Increase)/decrease in reinsurance assets	(429.0)	82.8	(139.5)
Increase in prepayments and accrued income	(34.7)	(31.0)	-
(Increase)/decrease in insurance and other receivables	(4.0)	14.6	13.1
Increase in insurance liabilities	1,246.2	431.0	993.3
Increase in investment contract liabilities	38.3	32.0	67.0
Increase/(decrease) in deposits received from reinsurers	392.5	(78.1)	150.7
Decrease in accruals and deferred income	(2.1)	(0.3)	(0.4)
Decrease in insurance and other payables	(4.6)	(49.3)	(29.7)
Increase in other creditors	91.8	2.1	18.6
Interest received	96.4	95.8	198.6
Interest paid	(51.8)	(51.5)	(105.2)
Taxation paid	(20.1)	(9.0)	(19.9)
Net cash outflow from operating activities	**(112.1)**	**(10.8)**	**(73.9)**
Cash flows from investing activities			
Additions to internally generated intangible assets	(1.9)	(0.5)	(1.1)
Acquisition of equipment	-	(0.1)	(0.3)
Acquisition of non-controlling interest	-	-	(0.3)
Net cash outflow from investing activities	**(1.9)**	**(0.6)**	**(1.7)**
Cash flows from financing activities			
Decrease in borrowings	(4.5)	(3.6)	(3.6)
Interest paid	(1.0)	(1.2)	(2.1)
Dividends paid	(11.0)	-	-
Issue of ordinary and preference share capital (net of costs)	-	287.0	287.0
Net cash (outflow)/inflow from financing activities	**(16.5)**	**282.2**	**281.3**
Net (decrease)/increase in cash and cash equivalents	(130.5)	270.8	205.7
Cash and cash equivalents at start of period	395.6	189.9	189.9
Cash and cash equivalents at end of period	**265.1**	**460.7**	**395.6**
Cash available on demand	19.6	21.0	54.4
Units in liquidity funds	245.5	439.7	341.2
Cash and cash equivalents at end of period	**265.1**	**460.7**	**395.6**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

These condensed interim financial statements comprise the condensed consolidated financial statements of Just Retirement Group plc ("the Company") and its subsidiaries, together referred to as "the Group", as at, and for the half year ended, 31 December 2014.

These condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

These condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The results for the year ended 30 June 2014 have been taken from the Group's 2014 Annual Report and Accounts, which was approved by the Board of Directors on 17 September 2014 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The Directors have undertaken a going concern assessment in accordance with "Going Concern and Liquidity Risk: Guidance for UK directors of UK Companies 2009", published by the Financial Reporting Council in October 2009. As a result of this assessment, the Directors are satisfied that the Group and the Company have adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

The accounting policies applied are the same as those applied in the Group's 2014 Annual Report and Accounts, except for the adoption of new standards, amendments and improvements to existing standards as detailed below:

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

- IFRS 12, Disclosure of interests in other entities (effective 1 January 2014) – the standard provides the disclosure requirements which apply to all entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structure entity. The new disclosures are not required for interim reporting unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures for the period ended 31 December 2014.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 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

Half year ended 31 December 2014	**Insurance £m**	**Corporate activities £m**	**Eliminations £m**	**Total £m**
New business operating profit	18.2	-	-	18.2
In-force operating profit	24.0	0.4	-	24.4
Underlying operating profit	**42.2**	**0.4**	**-**	**42.6**
Operating experience and assumptions changes	1.3	6.2	(8.7)	(1.2)
Reinsurance and financing costs	(14.1)	(1.1)	8.7	(6.5)
Operating profit before tax	**29.4**	**5.5**	**-**	**34.9**
Non-recurring and project expenditure	(8.3)	(1.6)	-	(9.9)
Investment and economic profits	(31.6)	(0.7)	-	(32.3)
(Loss)/profit before corporate costs and before tax	**(10.5)**	**3.2**	**-**	**(7.3)**
Finance and other costs incurred by corporate companies	-	(1.9)	-	(1.9)
(Loss)/profit before tax	**(10.5)**	**1.3**	**-**	**(9.2)**

Half year ended 31 December 2013	**Insurance £m**	**Corporate activities £m**	**Eliminations £m**	**Total £m**
New business operating profit	27.1	-	-	27.1
In-force operating profit	20.2	-	-	20.2
Underlying operating profit	**47.3**	**-**	**-**	**47.3**
Operating experience and assumptions changes	0.9	2.1	(3.3)	(0.3)
Reinsurance and financing costs	(9.0)	(1.3)	3.3	(7.0)
Operating profit before tax	**39.2**	**0.8**	**-**	**40.0**
Non-recurring and project expenditure	(3.6)	(0.8)	-	(4.4)
Investment and economic profits	7.7	0.8	-	8.5
Profit before corporate costs and before tax	**43.3**	**0.8**	**-**	**44.1**
Finance and other costs incurred by corporate companies	-	(15.3)	-	(15.3)
Listing costs	-	(2.3)	-	(2.3)
Profit/(loss) before tax	**43.3**	**(16.8)**	**-**	**26.5**

Year ended 30 June 2014	Insurance £m	Corporate activities £m	Eliminations £m	Total £m
New business operating profit	53.1	-	-	53.1
In-force operating profit	42.9	0.7	-	43.6
Underlying operating profit	**96.0**	**0.7**	**-**	**96.7**
Operating experience and assumptions 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**

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

3 Earnings per share

	Half year ended 31 December 2014			**Half year ended 31 December 2013**			**Year ended 30 June 2014**		
	Earnings £m	Weighted average number of shares Million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence
Basic earnings	(8.3)	499.9	(1.66)	22.2	400.3	5.55	72.9	449.6	16.21
Diluted earnings	(8.3)	499.9	(1.66)	22.2	400.5	5.54	72.9	449.8	16.21

The calculation of basic and diluted earnings per share is based on dividing the loss attributable to equity holders of the Company of £8.3m (H1 2013/14: profit of £22.2m; year ended 30 June 2014: profit of £72.9m) by the weighted average number of ordinary shares outstanding and by the diluted weighted average number of ordinary shares potentially outstanding, at the end of the period, calculated as follows:

	Half year ended 31 December 2014 million	**Half year ended 31 December 2013** million	**Year ended 30 June 2014** million
Weighted average number of ordinary shares	499.9	400.3	449.6
Effect of dilutive potential ordinary shares			
Share options	-	0.2	0.2
Diluted weighted average number of ordinary shares	499.9	400.5	449.8

4 Dividends

A final dividend of 2.2 pence per ordinary share, a total of £11.0m, in respect of the year ended 30 June 2014 was paid on 8 December 2014 (H1 2013/14: nil; year ended 30 June 2014: nil).

An interim dividend of 1.1 pence per ordinary share, a total of £5.5m, has been declared by the Board.

5 Financial assets

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

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Fair value through profit or loss			
Loans secured by mortgages	3,616.5	2,303.1	2,749.4
Other financial investments	5,150.1	4,485.5	4,740.6
Total financial assets	**8,766.6**	**6,788.6**	**7,490.0**

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

Other financial Investments

Financial investments of the Group are designated at fair value through profit or loss.

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Fair value			
Units in liquidity funds and other investment funds	270.6	439.7	341.2
Debt securities and other fixed income securities	4,819.4	3,987.2	4,327.9
Deposits with credit institutions	32.0	22.2	29.2
Financial derivatives	28.1	36.4	42.3
	5,150.1	**4,485.5**	**4,740.6**
Cost			
Units in liquidity funds and other investment funds	270.5	439.7	341.2
Debt securities and other fixed income securities	4,540.2	3,909.6	4,192.6
Deposits with credit institutions	32.0	22.2	29.2
Financial derivatives	1.7	5.5	4.2
	4,844.4	**4,377.0**	**4,567.2**

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

As at 31 December 2014, the Company had pledged collateral of £163.3m (31 December 2013: £32.6m; 30 June 2014: £54.3m) of which £133.8m were gilts (31 December 2013: £10.3m; 30 June 2014: £25.1m) and £29.5m held in deposits with credit institutions (31 December 2013: £22.2m; 30 June 2014: £29.2m). Amounts pledged as collateral are deposited with the derivative counterparty.

Of the above financial investments, £4,573.9m (31 December 2013: £3,929.2m; 30 June 2014: £4,146.2m) 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 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 31 December 2014 (31 December 2013: nil; 30 June 2014: nil).

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

31 December 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value				
Units in liquidity funds and other investment funds	245.5	25.1	-	270.6
Debt securities and other fixed income securities	740.4	4,062.9	16.1	4,819.4
Deposits with credit institutions	32.0	-	-	32.0
Financial derivatives	-	28.1	-	28.1
Loans secured by mortgages	-	-	3,616.5	3,616.5
Total financial assets held at fair value	**1,017.9**	**4,116.1**	**3,632.6**	**8,766.6**
Financial liabilities held at fair value				
Investment contract liabilities	-	-	235.7	235.7
Derivative financial instruments	-	187.9	-	187.9
Total financial liabilities held at fair value	**-**	**187.9**	**235.7**	**423.6**

31 December 2013	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value				
Units in liquidity funds	439.7	-	-	439.7
Debt securities and other fixed income securities	82.5	3,904.7	-	3,987.2
Deposits with credit institutions	22.2	-	-	22.2
Financial derivatives	-	36.4	-	36.4
Loans secured by mortgages	-	-	2,303.1	2,303.1
Total financial assets held at fair value	**544.4**	**3,941.1**	**2,303.1**	**6,788.6**
Financial liabilities held at fair value				
Investment contract liabilities	-	-	162.4	162.4
Derivative financial instruments	-	67.4	-	67.4
Total financial liabilities held at fair value	**-**	**67.4**	**162.4**	**229.8**

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**

c) Transfers between Level 1 and Level 2

The Group's policy is to assess pricing source changes and determine transfers between levels as at 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

(i) Reconciliation of the opening and closing recorded amount of Level 3 debt securities and other fixed income securities

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
At start of period	15.5	-	-
Gains in profit or loss	0.6	-	-
Purchases	-	-	15.5
At end of period	**16.1**	**-**	**15.5**

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

Redemptions 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 the default levels on the underlying basis remain at the current level of the Group's bond portfolio.

(iii) Sensitivity analysis

The sensitivity of 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

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Fair value	3,616.5	2,303.1	2,749.4
At cost(1)	1,961.9	1,621.0	1,846.7

(1) Includes advances and further advances, less redemptions

Loans secured by mortgages are classified as fair value through profit or loss. The loans are not expected to be recovered within 12 months of the 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 £691.4m (H1 2013/14: loss of £18.1m; year ended 30 June 2014: gain of £145.8m).

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:

	Half year ended 31 December 2014 £m	**Half year ended 31 December 2013 £m**	**Year ended 30 June 2014 £m**
At start of period	564.5	431.0	431.0
Amounts deferred in the period	16.0	70.0	178.6
Amounts recognised in profit or loss in the period	(7.8)	(11.5)	(45.1)
At end of period	**572.7**	**489.5**	**564.5**

(i) Reconciliation of the opening and closing recorded amount of Level 3 loans secured by mortgages

	Half year ended 31 December 2014 £m	**Half year ended 31 December 2013 £m**	**Year ended 30 June 2014 £m**
At start of period	2,749.4	2,081.2	2,081.2
Total gains in profit or loss(1)	765.9	42.7	274.9
Loans advanced	159.0	218.3	476.4
Redemptions	(57.8)	(39.1)	(83.1)
At end of period	**3,616.5**	**2,303.1**	**2,749.4**

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

(ii) 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% (31 December 2013: 4.0%; 30 June 2014: 3.9%).

Mortality - Mortality assumptions have been derived by reference to appropriate standard mortality tables. These tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials, input from the Group's lead reinsurer and 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 redemptions 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% (31 December 2013: 0.8%; 30 June 2014: 0.6%).

(iii) Sensitivity analysis

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

	Loans secured by mortgages valuation assumptions			
Net increase/(decrease) in profit before tax (£m)	**Maintenance Expenses +10%**	**Mortality -5%**	**Property prices -10%**	**Voluntary redemptions -10%**
31 December 2014	**(0.7)**	**3.3**	**(5.6)**	**3.2**
31 December 2013	(0.6)	1.5	(4.8)	1.2
30 June 2014	(0.6)	2.8	(5.0)	2.7

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

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

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

Investment contract liabilities

(i) Reconciliation of the opening and closing recorded amount of Level 3 investment contract liabilities

Investment contract liabilities	**Half year ended 31 December 2014 £m**	**Half year ended 31 December 2013 £m**	**Year ended 30 June 2014 £m**
At start of period	197.4	130.4	130.4
Deposits received from policyholders	35.3	36.6	73.7
Payments made to policyholders and fees deducted	(6.7)	(3.9)	(9.1)
Change in contract liabilities recognised in profit or loss	9.7	(0.7)	2.4
At end of period	**235.7**	**162.4**	**197.4**

(ii) Principal assumptions underlying the calculation of investment contract liabilities

Maintenance expenses - Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.2% (31 December 2013: 4.2%; 30 June 2014: 4.2%).

(iii) Sensitivity analysis

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

6 Loans and Borrowings

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Bank borrowings	46.9	51.4	51.4
	46.9	**51.4**	**51.4**

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 of the loan was repaid, and on 11 October 2014, £4.5m of the loan was repaid.

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

7 Other liabilities

The Group's other liabilities are summarised by measurement category as follows:

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Fair value through profit or loss				
Derivative financial instruments	(a)	187.9	67.4	89.6
Obligations for repayment of cash collateral received	(a)	-	-	1.8
Liabilities measured using insurance rules				
Deposits received from reinsurers	(b)	3,856.5	3,235.2	3,464.0
Reinsurance finance	(c)	85.3	98.6	98.2
Total other liabilities		**4,129.7**	**3,401.2**	**3,653.6**

All liabilities measured at fair value through profit or loss are designated as such on initial recognition.

(a) 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 liabilities at fair value through profit or loss are designated as such on initial recognition.

(b) Deposits from reinsurers

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

(c) Reinsurance finance

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

8 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.

31 December 2014	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**
GBP and USD/EUR asset swaps	11.3	4.3	361.8
Sterling interest rate swaps	16.8	183.6	442.0
Sterling interest rate swaptions	-	-	200.0
Total derivatives	**28.1**	**187.9**	**1,003.8**

31 December 2013	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**
GBP and USD asset swaps	7.1	-	97.5
Sterling interest rate swaps	28.8	67.4	702.0
Sterling interest rate swaptions	0.5	-	565.0
Total derivatives	**36.4**	**67.4**	**1,364.5**

30 June 2014	**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 derivatives	**42.3**	**89.6**	**1,253.1**

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, of which the Company is one, and relevant counterparties in place under each of these market master agreements.

As at 31 December 2014, the Company had pledged collateral of £163.3m (31 December 2013: £32.6m; 30 June 2014: £54.3m) of which £133.8m were gilts (31 December 2013: £10.3m; 30 June 2014: £25.1m) and £29.5m held in deposits with credit institutions (31 December 2013: £22.2m; 30 June 2014: £29.2m). Amounts pledged as collateral are deposited with the derivative counterparty.

The Company had received no cash collateral (31 December 2013: £nil; 30 June 2014: £1.8m).

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

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Movement in fair value of swaps	(112.5)	(1.5)	(17.8)
Realised gains/(losses) on interest rate swaps closed	(16.3)	-	1.2
	(128.8)	**(1.5)**	**(16.6)**

9 Related parties

The Group has related party relationships with its ultimate parent company Avallux Sarl. with whom a Relationship Agreement has been entered into.

All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprises 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:

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Short-term employee benefits	2.7	2.2	5.3
Long-term employee benefits	-	-	-
Share-based payments	0.5	0.1	0.2
	3.2	**2.3**	**5.5**

10 Post balance sheet events

There have been no material events between 31 December 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 a European Embedded Value ("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

	Note	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Operating profit for covered business	6	65.8	61.8	97.7
Operating loss of distribution company		(0.2)	(0.2)	(0.7)
Operating profit/(loss) from other Group companies		3.7	(16.6)	(16.8)
Operating profit		**69.3**	**45.0**	**80.2**
Economic variance	6	32.2	54.5	106.5
Profit before tax		**101.5**	**99.5**	**186.7**
Tax				
Covered business	6	(20.7)	(26.0)	(45.8)
Other		(1.7)	-	(0.8)
Total comprehensive income		**79.1**	**73.5**	**140.1**

The distribution company is considered to be a stand-alone business and its activities do not relate to the sale of Just Retirement Limited ("JRL") 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

	Half year ended 31 December 2014			Half year ended 31 December 2013	Year ended 30 June 2014
	Covered business £m	Non-covered business £m	Total £m	£m	£m
Balance at start of period	699.1	260.0	959.1	188.8	188.8
Total comprehensive income for the period	79.5	(0.4)	79.1	73.5	140.1
Exchange of preference shares	-	-	-	80.8	80.8
Exchange of loans and loan notes	-	-	-	258.4	258.4
Shares issued for cash	-	-	-	300.0	300.0
Share issue costs*	-	-	-	(13.0)	(13.0)
Capital injections	10.0	(10.0)	-	-	-
Dividends	-	(11.0)	(11.0)	-	-
Share-based payments	-	0.9	0.9	3.8	4.3
Acquisition of non-controlling interest	-	-	-	-	(0.3)
Balance at end of period	**788.6**	**239.5**	**1,028.1**	**892.3**	**959.1**

* Total share issue costs incurred were £18.4m, consisting of £13.0m recognised directly in reserves and £2.3m recognised through profit and loss in the 2014 financial year, and £3.1m recognised in the 2013 financial year.

JUST RETIREMENT GROUP PLC

Group statement of financial position

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Assets			
Value of in-force business	399.6	182.0	202.5
Intangible assets	5.5	5.5	3.8
Equipment	0.8	1.2	1.0
Financial assets	9,339.3	7,278.1	8,054.5
Reinsurance assets	4,131.0	3,436.7	3,681.8
Deferred tax assets	4.4	3.6	3.8
Current tax assets	0.6	-	0.6
Prepayments and accrued income	125.0	118.4	91.4
Insurance and other receivables	9.0	3.5	5.0
Cash and cash equivalents	19.6	21.0	54.4
Total assets	**14,034.8**	**11,050.0**	**12,098.8**
Equity	**1,028.1**	**892.3**	**959.1**
Liabilities			
Insurance liabilities	8,624.5	6,597.5	7,258.4
Loans and borrowings	46.9	51.6	51.6
Other liabilities	4,280.1	3,465.0	3,752.8
Other provisions	6.2	4.0	7.1
Current tax liabilities	5.8	9.4	20.1
Accruals and deferred income	14.5	14.8	16.4
Insurance and other payables	28.7	15.4	33.3
Total liabilities	**13,006.7**	**10,157.7**	**11,139.7**
Total equity and liabilities	**14,034.8**	**11,050.0**	**12,098.8**

The notes on pages 40 to 51 are an integral part of these supplementary financial statements.

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

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Shareholders' equity on IFRS basis	**834.4**	**802.1**	**852.8**
Asset valuation differences	583.3	454.2	554.0
Liability valuation differences	(807.5)	(575.6)	(674.5)
Deferred tax	18.3	29.6	24.3
Value of in-force business	399.6	182.0	202.5
Shareholders' equity on EEV basis	**1,028.1**	**892.3**	**959.1**
Analysis of ordinary shareholders' equity			
IFRS basis ordinary shareholders' equity	834.4	802.1	852.8
Additional retained profit on an EEV basis	193.7	90.2	106.3
	1,028.1	**892.3**	**959.1**

The asset valuation differences of £583.3m (31 December 2013: £454.2m; 30 June 2014: £554.0m) 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 £807.5m (31 December 2013: £575.6m; 30 June 2014: £674.5m) are caused largely by the different discount rate 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 ("IFRS") 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 ("EEV") Principles.

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

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

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

The Directors of the Group are responsible for the preparation of these supplementary financial statements.

2 Methodology

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

A. Embedded value overview

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

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

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 re-mortgaged 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 option 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 31 December 2014, 31 December 2013 and 30 June 2014 are shown in the following table.

Swap rates (at sample terms, %)					
Term (years)	1	5	10	20	30
31 December 2014	**1.0**	**1.5**	**1.9**	**2.3**	**2.3**
31 December 2013	0.7	2.1	3.0	3.4	3.4
30 June 2014	0.9	2.2	2.8	3.2	3.2

The in-force liquidity premium adjustment as at 31 December 2014 was 69bp (31 December 2013: 56bp, 30 June 2014: 51bp). 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 (previous financial year: 59bp) for each month's new business.

Residential property assumptions

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

The market against which 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 31 December 2014, 31 December 2013 and 30 June 2014 are shown in the following table:

House price inflation rates (at sample terms, %)					
Term (years)	1	5	10	20	30
31 December 2014	**2.9**	**2.0**	**3.5**	**3.9**	**4.0**
31 December 2013	(0.3)	1.3	3.7	4.3	4.3
30 June 2014	(2.1)	1.3	3.4	4.2	4.2

In deriving an assessment of long-term UK residential property price volatility, the Group has used house price data published by the Nationwide Building Society. The Group has adjusted the derived value to allow for the additional volatility expected to be observed in the Company's portfolio compared with the market as a whole. The volatility assumption used at 31 December 2014 was 9.7% p.a. (31 December 2013: 9.8% p.a.; 30 June 2014: 9.8% p.a.). The volatility assumption used for new business was 9.8% p.a.

Expense inflation

For the annuities, the assumed future rate of increases in per policy maintenance expenses is 3.7% p.a. (31 December 2013: 3.7% p.a.; 30 June 2014: 3.7% p.a.).

For the lifetime mortgages, the assumed future rate of increases in maintenance expenses is 3.9% p.a. (31 December 2013: 4.0% p.a.; 30 June 2014: 3.9% p.a.).

The difference reflects the difference in average duration of the cash flows and the shape of the RPI curve at the valuation date.

Taxation
The rate of corporation tax assumed is 20.75% throughout, being the effective weighted average tax rate for the financial year (31 December 2013 22.5%; 30 June 2014: 22.5%).

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 the 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 are unchanged from those used at 30 June 2014 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 are unchanged from those used at 30 June 2014.

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

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

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

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

Some of the expenses incurred in the financial period to 31 December 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 period ended 31 December 2014 were £8.3m (period ended 31 December 2013: £3.6m; year ended 30 June 2014: £10.8m).

The look-through principle has not been applied to the losses in the Distribution Company arising from the sale of products arising from the covered business, and so these losses have not been included as a deduction against the value of new business. The Distribution Company is considered to be a stand-alone business and its activities do not relate solely to the sale of JRL products. The recognised loss in the Distribution Company has been accounted for on an IFRS basis, separately to the results of 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 31 December 2014 the provision for non-market risk has been established as 0.18% of the mathematical reserves in respect of annuity business, this is unchanged from that used at 30 June 2014. For the value of new business in the period to 31 December 2014, a deduction of 0.18% of gross statutory reserves at point of sale has been applied.

Required capital
At 31 December 2014 the assumed level of required capital to support the business represents 175% (31 December 2013: 140%; 30 June 2014: 175%) of JRL's long-term insurance capital requirement ("LTICR") together with 175% (31 December 2013: 140%; 30 June 2014: 175%) of the resilience capital requirement ("RCR"), as set out in PRA regulations.

4 Group embedded value

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

	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 30 June 2014 £m
Just Retirement Limited			
Shareholders' net assets	389.0	448.7	496.6
Value of in-force business			
• Certainty equivalent value	496.2	265.4	293.6
• Deferred tax asset	22.8	-	-
• Time value of financial options and guarantees	(79.0)	(45.6)	(45.1)
• Allowance for non-market risk	(11.5)	(11.2)	(10.0)
• Cost of capital	(28.9)	(26.6)	(36.0)
Value of in-force business	**399.6**	**182.0**	**202.5**
Embedded value of Just Retirement Limited	788.6	630.7	699.1
Net assets of other companies	239.5	261.6	260.0
Group embedded value	**1,028.1**	**892.3**	**959.1**

Based on the appropriate year-end assumptions, as set out above, the amount of required capital as at 31 December 2014 was £604.2m (31 December 2013 and 30 June 2014 was £365.1m and £501.5m respectively). The free surplus in Just Retirement Limited at 31 December 2014 was £(215.2)m (31 December 2013 and 30 June 2014 was £83.6m and £(4.9)m respectively).

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 ending 31 December 2014, 31 December 2013 and 30 June 2014:

	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 £m
Certainty equivalent value	59.7	55.5	131.7
Time value of financial options and guarantees	(7.1)	(3.8)	(8.9)
Allowance for non-market risk	(0.4)	(1.2)	(2.0)
Cost of capital	(3.6)	(3.1)	(5.9)
Value of new business	**48.6**	**47.4**	**114.9**

During the period ended 31 December 2014 the amount of required capital for new business was £53.5m (31 December 2013 £38.9m; 30 June 2014 £73.7m).

6 Covered business analysis of movement in gross-of-tax embedded value of JRL

The following table sets out an analysis of the embedded value profit for the six month period ended 31 December 2014 together with the comparative figures for the six month period ended 31 December 2013 and year ended 30 June 2014. In order to explain better the movement in capital flows, the composition of the embedded value profit for the current year is shown separately between the movement in free surplus, required capital and the value of in-force business.

	Free surplus £m	Required capital £m	Value of in-force business £m	Total for half year ended 31 December 2014 £m	Total for half year ended 31 December 2013 £m	Total for year ended 30 June 2014 £m
Opening embedded value	(4.9)	501.5	202.5	699.1	491.2	491.2
Expected return on opening embedded value	0.8	(77.7)	94.2	17.3	18.5	43.7
Expected surplus from in-force business	21.7	(9.1)	(12.6)	-	-	-
New business contribution	(62.9)	53.5	70.7	61.3	61.1	148.2
Operating experience variance	(49.8)	(0.7)	37.7	(12.8)	(17.2)	(39.5)
Operating assumption changes	0.2	(0.8)	9.3	8.7	2.7	(45.2)
Interest on Tier 2 loan	(8.7)	-	-	(8.7)	(3.3)	(9.5)
Operating profit for covered business	**(98.7)**	**(34.8)**	**199.3**	**65.8**	**61.8**	**97.7**
Economic variance [1]	(152.5)	137.5	49.4	34.4	53.7	106.0
Embedded value profit before tax	**(251.2)**	**102.7**	**248.7**	**100.2**	**115.5**	**203.7**
Tax	30.9	-	(51.6)	(20.7)	(26.0)	(45.8)
Profit after tax	**(220.3)**	**102.7**	**197.1**	**79.5**	**89.5**	**157.9**
New capital	10.0	-	-	10.0	50.0	50.0
Closing embedded value	**(215.2)**	**604.2**	**399.6**	**788.6**	**630.7**	**699.1**

[1] The economic variance of £32.2m (December 2013: £54.5m; June 2014: £106.5m) reported in the Group Statement of comprehensive income includes £(2.2)m (December 2013: £0.8m; June 2014: £0.5m) in respect of the fair value movement on the interest rate swap derivatives held by Just Retirement (Holdings) Limited.

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

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

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

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

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

The “economic variance” arises from the impact of differences between the actual investment returns in the period and the expected investment returns, and the impact of the change to the end of period future economic assumptions. Further impacts have arisen between the shareholders’ net assets and value of in-force business figures due to changes in the economic assumptions used in the regulatory reserving bases.

All of these impacts are calculated in relation to the start of period economic assumptions for business in-force at the start of the period and point of sale economic assumptions for new business sold in the period.

7 Operating experience variances before tax for JRL

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

	Shareholders' net assets £m	Value of in-force business £m	Total for half year ended 31 December 2014 £m	Total for half year ended 31 December 2013 £m	Total for year ended 30 June 2014 £m
Reinsurance arrangements	(8.8)	11.4	2.6	(0.9)	(5.3)
Maintenance and investment expenses	(1.8)	-	(1.8)	(4.0)	(7.2)
Exceptional expenses	(8.3)	-	(8.3)	(3.6)	(10.8)
Tax variances	(32.9)	28.7	(4.2)	1.6	(2.1)
Experience variances	1.3	(2.4)	(1.1)	(10.3)	(14.1)
Total operating experience variances	**(50.5)**	**37.7**	**(12.8)**	**(17.2)**	**(39.5)**

8 Operating assumption changes before tax for JRL

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

	Shareholders' net assets £m	Value of in-force business £m	Total for half year ended 31 December 2014 £m	Total for half year ended 31 December 2013 £m	Total for year ended 30 June 2014 £m
Mortality assumption	-	(1.4)	(1.4)	-	-
Maintenance expenses	-	-	-	-	0.5
Mortgage assumption	-	-	-	-	(46.5)
Tax	-	10.4	10.4	2.7	3.5
Non-market risk	-	-	-	-	2.9
Cost of capital	-	-	-	-	(10.2)
Reinsurance changes	(0.6)	(0.1)	(0.7)	-	(4.1)
Non-policy reserves	-	-	-	-	9.6
Model changes	-	0.4	0.4	-	(0.9)
Total	**(0.6)**	**9.3**	**8.7**	**2.7**	**(45.2)**

The tax item reflects the change from the effective tax rate used at the previous reporting date (22.5%) to the rate used at this reporting date 20.75%.

9 Sensitivities

The Group embedded value at 31 December 2014 and the value of new business for the year to 31 December 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, including derivative financial instruments, 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 19.75% (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 31 December 2014 £m	Value of new business for year ended 31 December 2014 £m
Central value	1,028.1	48.6
Impact of:		
• 1% reduction in yield curves	128.5	n/a
• 1% increase in yield curves	(71.4)	n/a
• 10bp reduction in reference rate	(7.9)	(4.9)
• 10bp reduction in credit spreads	22.3	n/a
• 10bp increase in credit spreads	(22.1)	n/a
• 10bp reduction in liquidity premium	(18.8)	(6.9)
• 10% reduction in property values	(23.7)	(3.1)
• 125% of implied property volatilities	(46.8)	(6.2)
• 75% of implied property volatilities	30.6	3.1
• 5% reduction in annuitant base mortality	(81.4)	(1.4)
• 5% reduction in lifetime mortgage base mortality	23.7	2.2
• 10% reduction in lifetime mortgage voluntary redemptions	23.8	1.2
• 10% reduction in maintenance expenses	14.0	1.0
• 1% reduction in corporation tax rate	8.8	-
• Required capital equal to 100% of LTICR plus 100% of RCR	12.5	2.7