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NEWS RELEASE

JUST RETIREMENT GROUP PLC
www.justretirementgroup.com

11 March 2016

JUST RETIREMENT GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015
DELIVERING GROWTH AND ACCELERATING DIVERSIFICATION

Just Retirement Group plc ("the Group") announces its interim results for the six months ended 31 December 2015.

Highlights

- Total new business sales up 50%. A 98% increase in Defined Benefit De-risking ("DB") sales and a 2% increase in Guaranteed Income for Life ("GIfL") sales drove strong overall growth in premiums.
- Lifetime mortgage advances of £237m, up 49% on the same period in 2014/15, in line with our 25% target of Retirement Income sales.
- Operating profit increased by 43%, driven by a 153% rise in new business profit, partly offset by lower in-force returns. The increase in new business profit reflected strong volumes, but also margin expansion due to an improving sales mix and helpful asset yields.
- Record EV £1,144m (203p per share). Interim dividend of 1.1p. Group economic capital ratio 180%, Group Solvency II capital ratio 133% (capital comprised entirely of Tier 1), providing comfort to enable the Group to meet its growth plans.
- Merger with Partnership Assurance Group plc due to complete in early April 2016. We remain confident of achieving at least £40m of cost savings, with the full run-rate being achieved in 2018.

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

"The Group demonstrated further positive momentum in the second half of 2015, with a 50% increase in sales and a 43% increase in operating profit. In addition to this strong performance we are about to complete our merger with Partnership Assurance.

We are pleased with our progress to date in the evolving pensions landscape and changing regulatory environment. For the future, the DB market offers significant potential and today's figures show that we have real traction in this area. Meanwhile, the individual GIfL market has stabilised and we expect to see a return to longer-term growth here too.

The merger with Partnership provides us with a further source of earnings growth, and it will enable us to drive significant cost efficiencies, underpinning our value-for-money products. The integration planning we are doing confirms our confidence in achieving at least £40m of cost savings.

I also want to thank our colleagues once again, not just for delivering these record results, but also for coping with a period of uncertainty and for maintaining a strong focus on delivering for our customers which has been demonstrated by winning the UK's top Quality Service Provider Award from the Institute of Customer Service. The resilience of our colleagues is confirmed by our ranking once again among The Sunday Times 100 Best Companies to Work For.

I am pleased that the Just Retirement chapter is ending on a high note and these results give me confidence as to the future for the Combined Group."

Enquiries

Investors / Analysts	Media
James Pearce, Group Director of Strategy and Investor Relations Telephone: +44 (0) 7715 085 099 james.pearce@justretirement.com	Stephen Lowe, Group Communications 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 9.00am today at Nomura, 1 Angel Lane, London EC4R 3AB

UK FreeCall: 08082380673
United States FreeCall: 18666551591
Std International Dial-In: +44 (0) 1452 541003
Conference ID: 52567060

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	6 May 2016
Business update for the period ending 31 March 2016	11 May 2016
Payment of interim dividend	20 May 2016

Forward-looking statements disclaimer:

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

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

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

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

Chief Executive Officer's Report

Introduction

The first half of 2015/16 has been another period of significant change for Just Retirement, during which we have continued to demonstrate our ability to adapt to the evolving pensions landscape and changing regulatory environment.

We have achieved notable successes including further significant sales growth in the DB De-risking market, raising £97m of new equity (net of issue costs), and approval by the Prudential Regulation Authority ("PRA") of our internal model application for use in the new Solvency II capital regime.

In August 2015 we announced our intention to merge with Partnership Assurance Group plc to create JRP Group plc. On 10 March 2016 we announced that the PRA and the Financial Conduct Authority have each approved the change in control applications. We have previously received regulatory clearance from the Competition and Markets Authority and the merger is expected to complete in early April 2016. The completion of the merger will represent the culmination of a significant amount of hard work over the last year and I would like to thank those people who have contributed towards bringing the two groups together.

Performance review

Total Retirement sales of Defined Benefit De-risking Solutions ("DB"), Guaranteed Income for Life Solutions ("GIfL"), Care Plans and Drawdown contracts, were £996.2m for the half year to 31 December 2015, an increase of 51% compared to the same period the previous year. This increase once again reflects the significant growth in our DB sales, which stand at £701.2m for the half year to 31 December 2015, almost double the amount sold in the half year to 31 December 2014 (DB sales: £354.7m), which itself was a record DB result at that time. This demonstrates our expertise in the medical underwriting of smaller DB schemes, and in "top slicing" of larger schemes where we medically underwrite the "top slice" of liabilities.

During this latest half year we have also seen a stabilisation of the GIfL market, with sales slightly up compared to the same period in 2014 (GIfL sales: £271.2m vs £266.4m).

We launched our new drawdown product, the Flexible Pension Plan ("FPP") in April 2015 which has replaced our Capped Drawdown product. FPP sales are now starting to come through, as customers adjust to the new products available to them in retirement. FPP sales for the half year to 31 December 2015 were a modest £4.8m, given their limited availability at that time. In addition Capped Drawdown sales were £2.4m (H1 2014/15: £35.3m).

Lifetime mortgages ("LTM") of £237.0m were advanced for the half year, which is in line with our c. 25% target of Retirement Income sales.

The margin achieved on new business, which is measured as the ratio of new business operating profit to Retirement Income sales (comprising DB, GIfL and Care), was 4.7% (H1 2014/15: 2.9%). The increase in margin compared to the prior period is a result of an improving business mix, higher absolute sales and helpful asset yields.

Overall, operating profit before tax increased to £49.8m (H1 2014/15: £34.9m), largely driven by the increase in new business volumes and margins.

The Group's financial investments continue to increase, from £8.5bn at 30 June 2015 to £9.5bn at 31 December 2015, mainly as a result of the new business premiums written during the period. The quality of the financial investment portfolio remains high, and is well balanced across a range of industry sectors.

The Group's total equity at 31 December 2015 was £921.5m (30 June 2015: £814.0m), and the profit after tax for the half year ended 31 December 2015 was £21.9m (H1 2014/15: loss of £8.3m), reflecting the increase in new business volumes and margins, and a slight positive overall impact in this period from investment and economic profits, compared to a significant hit in the prior period (investment and economic profits H1 2015/16: £2.4m; H1 2014/15 loss of £32.3m).

Group European Embedded Value amounted to £1,143.8m at 31 December 2015 (30 June 2015: £1,019.3m), including new business value of £71.0m (H1 2014/15: £48.6m).

In October 2015 the Group raised £100m of new capital (£97m net of issue costs) from a share placing and open offer. These funds will support the Group to cover expected non-recurring integration and transaction costs, provide further comfort over the transition to Solvency II, and support further growth initiatives and product development. The Group capital position provides comfort to enable the Group to meet its growth plans. The Group continues to explore, on an ongoing basis, a range of balance sheet options, including accessing the debt capital markets, with a view to providing further financial strength.

On 1 January 2016 the EU Solvency II regime finally came into force. Just Retirement was among only 19 insurance firms that secured PRA regulatory approval to use their bespoke Internal Models. We also secured permission to use the matching adjustment to calculate our solvency capital requirement.

Once again we are very proud to have received recognition from the industry for the quality of our service, receiving 5 star ratings at the 2015 Financial Adviser Service Awards. This continued success means that we have held 5 star ratings for an impressive 11 years for Life & Pensions and eight years for Mortgage Lenders and Packagers, demonstrating our excellent quality of support and customer focus. In addition I am delighted that Just Retirement in 2016 has been awarded the Quality Service Provider Award by the Institute of Customer Service.

I am also pleased to report that we have once again ranked within "The Sunday Times 100 Best Companies to Work For" list for 2016, achieving a rating of "Outstanding" and the ranking of 92.

Outlook

Just Retirement Group plc has had a very successful first half, and we have continued to deliver growth and embrace changes to our markets and regulatory landscape.

I am excited about the opportunities that the forthcoming merger with Partnership will open up for the new enlarged JRP Group plc, as we begin to demonstrate our combined strength and expertise in our chosen markets, and we look to the future with confidence that we can continue to deliver growth and value for our shareholders.

Rodney Cook
Group Chief Executive

Business review

Overview

The results for the six months to 31 December 2015 demonstrate a return to growth both in sales volumes and in profits for the Group.

We have again achieved significant growth in our DB business during this half year period, with DB sales almost doubling compared to the prior period. DB is now established as the Group's largest retirement income product.

April 2015 saw the implementation of the pension reforms announced in the 2014 Budget. Since this date we have seen a stabilisation of GIfL sales, with a slight increase during this half year period, and we have launched our FPP to allow customers to take advantage of the new pension freedoms.

Medical underwriting allows us to differentiate our offering for both GIfL and DB solutions and we have continued to invest in our proprietary underwriting system, PrognoSys™.

The equity release lifetime mortgage market continues to grow and we manage the proportion of lifetime mortgage sales to Retirement Income sales towards a target of c.25%.

In October 2015 the Group successfully raised £97m of new equity capital (net of issue costs) through a placing and open offer of shares. This additional capital means we are well placed as we adapt to the needs of the Combined Group following our planned merger with Partnership Assurance Group plc.

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.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
New business sales	**1,233.2**	820.2	1,455.8
New business operating profit	**46.0**	18.2	36.8
In-force operating profit	**19.2**	24.4	49.6
Underlying operating profit	**65.2**	42.6	86.4
European embedded value	**1,143.8**	1,028.1	1,019.3
Economic capital coverage ratio	**180%**	171%	176%

New business sales

£1,233.2m (H1 2014/15: £820.2m)

New business sales are a key indicator of the Group's growth and realisation of its strategic objectives. New business sales comprise Retirement Income sales, Drawdown sales and LTM advances in the reporting period.

The table below sets out a breakdown of new business sales for the half year ended 31 December 2015, the half year ended 31 December 2014 and the year ended 30 June 2015.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Defined Benefit De-risking Solutions ("DB")	**701.2**	354.7	608.9
Guaranteed Income for Life Solutions ("GIfL")	**271.2**	266.4	478.0
Care Plans ("CP")	**16.6**	4.8	12.1
Retirement Income sales	**989.0**	625.9	1,099.0
Drawdown	**7.2**	35.3	48.7
Total Retirement sales	**996.2**	661.2	1,147.7
Lifetime mortgage ("LTM") loans advanced	**237.0**	159.0	308.1
Total new business sales	**1,233.2**	820.2	1,455.8

New business sales totalled £1,233.2m for the half year ended 31 December 2015, an increase of over 50% compared to the same period

last year (H1 2014/15: £820.2m).

The key driver for this growth is DB sales, which have increased by 98% from £354.7m for the half year to 31 December 2014 to £701.2m for the half year to 31 December 2015. The medically underwritten segment of the DB market is growing strongly and we have delivered significant growth during the period, with a particularly strong quarter to 31 December 2015 (DB sales Q2 2015/16 £597.6m; Q2 2014/15 £329.9m).

The GIfL market appears to be stabilising, with H1 2015/16 sales increasing by 2% compared to the prior period (GIfL sales H1 2015/16: £271.2m; H1 2014/15: £266.4m).

Sales of Care Plans increased by 246% from £4.8m for the half year to 31 December 2014 to £16.6m for the half year to 31 December 2015, reflecting our increased competitiveness in this growing sector.

Sales of Drawdown products – Capped Drawdown ("CD") and Flexible Pension Plan ("FPP") – fell overall from the prior period as we closed our CD to new customers and replaced it with the new Flexible Pension Plan which allows consumers to take advantage of the new pensions freedoms (CD and FPP sales H1 2015/16: £7.2m; H1 2014/15: £35.3m).

LTM sales are managed in line with our overall Retirement Income sales, and are in line with our longer-term target of c. 25% of Retirement Income sales.

New business operating profit

£46.0m (H1 2014/15: £18.2m)

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

New business operating profit has increased compared to the prior period, reflecting both an increase in overall sales volumes and the increased proportion of DB sales, which have a closer durational fit with LTM assets and deliver slightly higher margins. The result also benefitted from higher backing asset yields.

In-force operating profit

£19.2m (H1 2014/15: £24.4m)

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

In-force operating profit has reduced compared to the prior period. This is as a result of a change in recognition of in-force mortgage returns, although the overall size of the in-force book of business continues to grow.

Underlying operating profit

£65.2m (H1 2014/15: £42.6m)

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

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

European embedded value ("EEV")

£1,143.8m (30 June 2015: £1,019.3m)

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 existing book of business which have not yet been recognised under IFRS accounting.

EEV at 31 December 2015 was £1,143.8m, an increase of £124.5m compared to the closing value at 30 June 2015. The increase reflects the value of new business written in the period and the benefit of the new Group capital raised in October 2015, offset by investment variances.

Economic capital coverage ratio

180% (30 June 2015: 176%)

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

The economic capital ratio remains in line with the ratio at the year end, and well in excess of risk appetite. The economic capital ratio reflects the benefit of the new Group capital raised in October 2015.

IFRS results

The analysis of the IFRS results for the half year ended 31 December 2015, the half year ended 31 December 2014 and the year ended 30 June 2015 is presented in the table below.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
New business operating profit	**46.0**	18.2	36.8
In-force operating profit	**19.2**	24.4	49.6
Underlying operating profit	**65.2**	42.6	86.4
Operating experience and assumption changes	**(3.5)**	2.7	2.4
Other Group companies' operating results	**(5.9)**	(3.9)	(8.7)
Reinsurance and bank finance costs	**(6.0)**	(6.5)	(12.5)
Operating profit before tax	**49.8**	34.9	67.6
Non-recurring and project expenditure	**(8.0)**	(9.9)	(19.4)
Investment and economic profits/(losses)	**2.4**	(32.3)	(74.1)
Profit/(loss) before merger transaction and amortisation costs, before tax	**44.2**	(7.3)	(25.9)
Merger transaction costs	**(16.3)**	–	–
Amortisation costs	**(1.8)**	(1.9)	(3.7)
Profit/(loss) before tax	**26.1**	(9.2)	(29.6)

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

Operating profit before tax for the half year ended 31 December 2015 totalled £49.8m, an increase of £14.9m compared to the half year ended 31 December 2014. The movement has been mainly driven by an increase in new business 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 the 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, and other sundry operating items.

For the half year to 31 December 2015, operating experience and assumption changes amounted to a small loss of £3.5m, compared to a profit of £2.7m for the half year to 31 December 2014.

Other Group companies' operating results
Other Group companies' operating results include the results of Group companies which provide regulated advice and intermediary services, and professional services to corporates, as well as corporate costs incurred by Group holding companies. These companies reported an operating loss for the half year to 31 December 2015 of £5.9m (H1 2014/15: loss of £3.9m).

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

Reinsurance and bank finance costs are broadly in line with the prior period; increased bank finance costs relating to additional bank loans drawn down in the period have been offset by a reduction in reinsurance new business fees as a result of lower reinsured new individual business.

Non-recurring and project expenditure
Non-recurring and project expenditure includes any one-off regulatory, project and development costs. This line item does not include merger-related costs. These are included within merger transaction costs as explained below.

Non-recurring and project expenditure reduced from £9.9m for the half year to 31 December 2014, to £8.0m for the half year to 31 December 2015. These costs mainly relate to the costs of preparing for the new Solvency II regime, and continued product development expenditure in relation to the Flexible Pension Plan.

Investment and economic profits/(losses)
Investment and economic profits/(losses) 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 profits/(losses) 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 2015, investment and economic profits were £2.4m (H1 2014/15: loss of £32.3m), mainly reflecting the impact of widening credit spreads, offset by a positive impact from the difference between actual and expected investment returns earned.

Merger transaction costs

Merger transaction costs reflect the one-off costs incurred or accrued during the period in relation to the planned merger between Just Retirement Group plc and Partnership Assurance Group plc.

Amortisation costs

Amortisation costs relate to the amortisation of the Group's intangible assets.

Highlights from Condensed consolidated statement of comprehensive income

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Gross premiums written	989.0	625.9	1,099.0
Net premium revenue	737.2	512.5	1,927.0
Net investment income	305.3	548.4	635.2
Fee and commission income	2.8	2.4	5.1
Total revenue	1,045.3	1,063.3	2,567.3
Net claims paid	(154.6)	(119.5)	(250.5)
Change in insurance liabilities	(704.6)	(817.2)	(2,095.9)
Change in investment contract liabilities	(3.8)	(9.7)	(3.5)
Acquisition costs	(13.4)	(9.6)	(18.5)
Other operating expenses:			
Merger transaction costs	(16.3)	–	–
Other	(64.9)	(59.7)	(127.6)
Finance costs	(61.6)	(56.8)	(100.9)
Total claims and expenses	(1,019.2)	(1,072.5)	(2,596.9)
Profit/(loss) before tax	26.1	(9.2)	(29.6)
Income tax	(4.2)	0.9	4.8
Profit/(loss) after tax	21.9	(8.3)	(24.8)

Gross premiums written
Gross premiums written are the total premiums received by the Group in relation to its Retirement Income sales in the period, gross of commission paid.

Gross premiums written for the period were £989.0m, an increase of 58% on the prior period. In particular, DB sales have increased significantly compared to the prior period, from £354.7m in H1 2014/15, to £701.2m in H1 2015/16.

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

Net premium revenue increased from £512.5m in H1 2014/15 to £737.2m in H1 2015/16. Net premium revenue for the current period includes reinsurance recapture of £1.2bn offset by reinsurance premiums ceded of £1.4bn (H1 2014/15: no reinsurance recapture, reinsurance premiums ceded of £0.1bn). Reinsurance premiums ceded during the period relate to the reinsurance of certain GIfL business written in prior years, as well as continuing to reinsure a proportion of the new business written during the current period.

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 decreased by £243.1m, from £548.4m for the half year ended 31 December 2014 to £305.3m for the half year ended 31 December 2015. During the prior period there were significant falls in interest rates leading to increased unrealised gains on corporate bonds and mortgages, whereas during the current period rates have been relatively stable.

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

Net claims paid increased by £35.1m during the period, reflecting the continuing growth of the in-force book offset by the reinsurers' share of claims paid.

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

Change in insurance liabilities decreased from £817.2m for the half year ended 31 December 2014 to £704.6m for the half year ended 31 December 2015. The movement from the prior year was largely driven by a decrease in the change in the gross amount of insurance liabilities, which has reduced from the prior period due to less movement during the period in the valuation interest rate used to value insurance liabilities. The reinsurers' share of liabilities and movement due to recapture have largely offset one another during the current period.

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 have increased by £3.8m from £9.6m for the half year ended 31 December 2014 to £13.4m for the half year ended 31 December 2015. This is mainly a result of the increase in LTM sales compared to the prior period.

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

Other operating expenses increased by £21.5m. This line item in the Condensed consolidated statement of comprehensive income includes the £16.3m of costs incurred or accrued during the period relating to the planned merger between Just Retirement Group plc and Partnership Assurance Group plc. The remainder of the increase, from £59.7m for the half year to 31 December 2014 to £64.9m for the half year to 31 December 2015, is mainly due to increased headcount and related costs, including share-based payments.

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

Finance costs increased by £4.8m during the period from £56.8m for the half year ended 31 December 2014 to £61.6m for the half year ended 31 December 2015. The increase is mainly a result of a higher interest rate on the reinsurance deposit-back arrangements, this interest rate being linked to the valuation interest rate used to value the insurance liabilities.

Income tax
There is an income tax charge of £4.2m for the half year ended 31 December 2015 (H1 2014/15: credit of £0.9m). The effective tax rate is in line with the full year to 30 June 2015, and includes the impact of certain transitional rules regarding life company taxation.

Highlights from Condensed consolidated statement of financial position

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

	As at 31 December 2015 £m	As at 31 December 2014 £m	As at 30 June 2015 £m
Assets			
Financial investments	9,542.5	8,766.6	8,494.7
Reinsurance assets	2,546.8	4,045.3	2,477.1
Other assets	262.6	249.9	276.8
Total assets	12,351.9	13,061.8	11,248.6
Share capital and share premium	148.3	51.3	51.3
Reorganisation reserve	347.4	347.4	347.4
Accumulated profit and other adjustments	425.8	435.7	415.3
Total equity	921.5	834.4	814.0
Liabilities			
Insurance liabilities	8,214.6	7,729.8	7,440.3
Other financial liabilities	2,718.5	4,129.7	2,643.2
Insurance and other payables	123.5	30.8	22.7
Other liabilities	373.8	337.1	328.4
Total liabilities	11,430.4	12,227.4	10,434.6
Total equity and liabilities	12,351.9	13,061.8	11,248.6

Financial investments

The following table provides a breakdown by credit rating of financial investments where applicable as at 31 December 2015 compared with the position as at 31 December 2014 and 30 June 2015.

	As at 31 December 2015 £m	As at 31 December 2014 £m	As at 30 June 2015 £m
AAA* and gilts	1,507.4	1,145.2	1,045.6
AA	317.1	298.4	241.6
A	1,610.6	1,885.5	1,699.3
BBB	1,963.6	1,555.1	1,707.9
BB or below	114.8	76.4	120.6
Unrated*	226.6	189.5	207.9
Loans secured by mortgages	3,802.4	3,616.5	3,471.8
Total	9,542.5	8,766.6	8,494.7

* Includes units held in liquidity funds

Financial investments increased by £1.0bn from £8.5bn at 30 June 2015 to £9.5bn at 31 December 2015 mainly due to the continued investment of new business premiums into gilts, corporate bonds and LTM contracts. The quality of the corporate bond portfolio remains high. The loan to value ratio of the mortgage portfolio remained in line with the prior period at 26%.

The sector analysis of the Group's corporate bond and gilt portfolio at 31 December 2015 is shown in the table below.

Sector analysis – corporate bond and gilt portfolio	£m	%
Basic materials	105.4	2.1%
Communications	495.7	10.0%
Auto manufacturers	199.9	4.0%
Consumer	425.8	8.6%
Energy	201.7	4.1%
Banks	910.8	18.4%
Insurance	385.9	7.8%
Financial – other	165.8	3.3%
Government	852.2	17.2%
Industrial	267.4	5.4%
Utilities	854.7	17.2%
Other	94.1	1.9%
Total	4,959.4	100.0%

The sector analysis shows that the Group's investment portfolio is well balanced across a variety of industry sectors.

Reinsurance assets increased slightly by £70m from £2.48bn at 30 June 2015 to £2.55bn at 31 December 2015 relating to new business reinsured during the year, offset by claims paid and reinsurance recaptures.

Insurance liabilities increased from £7.4bn at 30 June 2015 to £8.2bn at 31 December 2015 due to liabilities arising on new insurance business written less claims paid in the period.

Other financial liabilities increased slightly from £2.6bn at 30 June 2015 to £2.7bn at 31 December 2015. These liabilities are mainly reinsurance-related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances. The increase reflects the increased size of the reinsured book.

Insurance and other payables increased by £100.8m from £22.7m at 30 June 2015 to £123.5m at 31 December 2015; this increase mainly relates to timing differences on settlement of investments.

Other liability balances increased by £45.4m from £328.4m at 30 June 2015 to £373.8m at 31 December 2015. The increase mainly relates to the drawdown of a new £60m bank facility in August 2015, less amounts repaid during the period.

Total equity increased by £107.5m from £814.0m at 30 June 2015 to £921.5m at 31 December 2015, reflecting the profit after tax for the period of £21.9m, dividends paid of £12.4m, small adjustments for foreign exchange differences and share-based payments, and new equity raised in October 2015 of £97.0m (net of issue costs).

European embedded value

Group EEV increased by £124.5m from £1,019.3m at 30 June 2015 to £1,143.8m at 31 December 2015, due to EEV profit of £38.5m for the period, share-based payments of £1.4m, dividends paid of £12.4m and new equity raised in October 2015 of £97.0m (net of issue costs).

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
JRG Group EEV at beginning of period	1,019.3	959.1	959.1
Total comprehensive income for the period	38.5	79.1	74.0
Share-based payments	1.4	0.9	2.7
Dividends	(12.4)	(11.0)	(16.5)
Shares issued (net of issue costs)	97.0	–	–
JRG Group EEV at end of period	1,143.8	1,028.1	1,019.3

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.

	As at 31 December 2015 £m	As at 30 June 2015 £m
Total available capital	1,000	916
Capital required	(556)	(521)
Excess available capital resources	444	395
Coverage ratio	180%	176%

The Group economic capital ratio at 31 December 2015 of 180% is in line with the ratio at 30 June 2015 of 176%. The Group economic capital ratio remains well in excess of the target ratio of 140%.

Solvency II

The Solvency II regime came into effect on 1 January 2016. The Group has received approval to use a full internal model and matching adjustment to calculate its solvency capital requirement.

Summary of Group Solvency II capital position

	As at 31 December 2015 £m
Capital resources	
Total eligible own funds to meet the consolidated Group solvency capital requirement	1,076
Solvency capital requirement	811
Excess capital resources	265
Capital ratio	133%

The Solvency II capital ratio for Just Retirement Limited would have been around 140% at 31 December 2015 had the placing and open offer proceeds been injected into the company.

Dividends

An interim dividend for the period of 1.1p per share will be paid in May 2016.

The merger with Partnership Assurance Group plc to create JRP Group plc is expected to complete in early April 2016. On this basis, Partnership Assurance shareholders in JRP Group plc at the record date of 6 May 2016 will be entitled to the Just Retirement interim dividend of 1.1p per JRP Group share, subject to the agreed exchange ratio of 0.834 new JRP Group share being issued for every one Partnership Assurance share in connection with the merger. The declaration of this interim dividend will not result in any adjustment to the exchange ratio.

Principal risks and uncertainties

Risk management

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

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

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

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

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

Principal risks and uncertainties

Risk description and impact	Mitigation and management action
Risks from our chosen market environment The Group operates in a market in which changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital. The pension reforms introduced in April 2015 have had a fundamental impact on the retirement income market, which will continue to evolve. Customers have reacted to pension freedoms by looking for more flexible retirement solutions. Customer needs for an income in retirement have however not changed, and the Group expects that a sizeable market segment for guaranteed income for life solutions will still operate. Other changes being considered by the government such as secondary annuity trading and new approaches to the taxation of pension contributions may affect our market. The Group's strategy and business plans are highly sensitive to any changes in these market factors and uncertainties.	**Risk outlook** – No change Our approach to legislative change is to participate actively and engage with policy makers in the UK, and this will not change. The Group has responded to the pension reforms by evolving its strategy and developing new products and advice offerings. The Group needs to remain agile in this changing environment and be prepared to flex its offerings in response to market dynamics. We believe we are well placed to adapt to the changing customer demand, supported by our brand promise, innovation credentials and financial strength. The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.
Risks from regulatory changes The financial services industry continues to see a high level of regulatory change and much more intense regulatory supervision. The regulatory agenda for the coming year covers many areas directly relevant to the Group. Solvency II, the new European prudential regulatory framework, has introduced wide-ranging changes for the insurance industry in terms of governance, risk management and solvency capital requirements and came into force on 1 January 2016. The impacts of Solvency II changes on pricing in our markets have yet to be fully understood. It is likely that the regulators will continue to learn from experience and revise their expectations over how solvency capital is calculated. Residual uncertainty about the application of Solvency II may impact other stakeholders ability to make informed judgements. In	**Risk outlook** – No change We monitor and assess regulatory developments on an ongoing basis and engage fully with the regulators. Our aims are to implement any required changes effectively, to deliver better outcomes for our customers and competitive advantage for the business. Our preparations for Solvency II helped us to ensure compliance ahead of implementation. The Group has received regulatory approval under Solvency II to use an internal model and a matching adjustment to calculate its solvency capital. Like other firms successful in gaining internal model approval, we need to ensure that the new approaches are fully embedded in our strategy and decision-making. We will continue to work closely with the PRA to understand and seek to influence their developing views on solvency capital, and to ensure other stakeholders are kept appropriately informed of resulting changes. Any potential changes needed to our internal model, our assumptions or matching

Risk description and impact	Mitigation and management action
this respect the outcome of the forthcoming industry-wide review by the PRA of the valuation and capital treatment of equity release mortgages under Solvency II could prompt changes in the Group's approach. The PRA and FCA have implemented the first part of the new Senior Insurance Managers Regime ("SIMR"), giving increased accountability to directors and senior managers in our insurance business, with full implementation from March 2016. Insurers may find it difficult to attract executive and non-executive directors if the regime is seen as imposing unreasonable expectations on individuals compared with other industries. The FCA reviews underway of the market for financial advice (jointly with HM Treasury) and of competition in the mortgage market could lead to outcomes which provide both opportunities and threats for the Group. The FCA will consult on its approach to implementation of the new EU Insurance Distribution Directive, under which member states can opt to impose certain requirements. These could include no longer allowing non-advised sales of insurance-based investment products, which are deemed to be complex.	adjustment criteria resulting from the PRA equity release mortgage review will be carefully reviewed. Our structures to meet SIMR requirements are in place, with training provided to those affected by the new rules. We welcome moves to improve conduct standards in financial services, which are proportionate to the risks and applied consistently across different sectors. The FCA consultations on the financial advice market and on competition in the mortgage market will be reviewed. Where appropriate, we will respond to any changes to develop our businesses and protect the interests of our customers. The Insurance Distribution Directive is not expected to have a significant impact on our business but the potential impacts on non-advised sales of pension drawdown products in particular are uncertain. The full impact will become clearer as proposals develop over the next two years.
Risks from our pricing assumptions Writing long-term retirement income and LTM business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches. The Group's assumptions on these risk factors may be materially inaccurate requiring them to be recalibrated. This could affect the level of reserves needed with an impact on profitability and the Group's solvency capital.	**Risk outlook** – No change To manage the risk of our longevity assumptions being incorrect, the Group has developed its own proprietary underwriting system, PrognoSys™, which provides insights and enhanced understanding of the longevity risks that the Group chooses to take. Longevity experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving basis for liabilities. Some changes have been made to GIfL longevity assumptions and reserves during the year with a minor impact on overall reserving. Some longevity risk exposure is shared with reinsurance partners, who perform due diligence on the Group's approach to risk selection. The related counterparty risk of a reinsurer not meeting its repayment obligations is managed by the reinsurer depositing the reinsurance premiums back to the Group for the financing treaties and by collateral arrangements for the longevity swaps.
Risks from the economic environment The premiums paid by the Group's customers are invested to enable future benefits to be paid. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. An adverse market could increase the risk of credit downgrades and defaults in our corporate bond portfolio. The state of the major world economies is mixed. Troubles in emerging markets are pulling down global growth and inflation. The slowdown in the growth of the Chinese economy is impacting its appetite for oil and commodities further depressing their prices. These pressures could derail the global economy. Predictions of a rise in UK interest rates have been pushed further into the future. In an environment of very low risk-free interest rates, investors are more willing to accept higher credit and liquidity risk to improve investment returns. These conditions could make it difficult to source sufficient assets to offer attractive retirement income terms. Low credit spreads similarly affect the income that can be made available, although margins from our LTM portfolio help offset this risk. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's Defined Benefit De-risking business volumes grow, its exposure to inflation risk increases.	**Risk outlook** – No change Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes and to inform management action plans. The Group's strategy is hold high quality, low-risk assets in its investment portfolio to facilitate management of the asset and liability matching position. Portfolio credit risk is managed by specialist fund managers executing a diversified investment strategy in investment grade assets while adhering to counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors of investment assets. Such diversification can create an exposure to foreign exchange risk, which is controlled using derivative instruments. Swaps and swaptions are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements. The Group's exposure to inflation risk through Defined Benefit De-risking business is managed with inflation hedging mechanisms. For LTMs, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the loan to initial property value ratio supported by product design features and monitoring of the exposure to adverse house

Risk description and impact	Mitigation and management action
A fall in residential property values could reduce the amounts received from LTM redemptions and may affect the relative attractiveness of the LTM product. The solvency capital needed to support the no-negative equity guarantee in the LTM product also increases if property values drop. Significant rises in property values could increase early mortgage redemptions. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives.	price movements. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There is little short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels both short-term and long-term and stress tests help us understand any potential pinch points. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.
Risks to Just Retirement's brands The Group's vision is to be the leading retirement brand, known and trusted for enriching our customers' lives. Damage to our brand or reputation may adversely affect our underlying profitability, through reducing sales volumes, limitation of distribution channels and increasing capital requirements. Brand image and our reputation could be threatened by external risks such as regulatory intervention or enforcement action, either directly or as a result of contagion from other insurers in our sector. Equally large organisations are increasingly becoming targets for cyber-crime, particularly those organisations that hold customers' personal details. Just Retirement is no exception and a cyber-attack could affect customer confidence.	**Risk outlook** – No change The Group has a low appetite for reputational damage and actively seeks to differentiate its business from competitors by investing in the Group's brand-enhancing activities. Fairness to customers and high service standards are at the heart of our brand promise. Risks to Just Retirement's reputation are mitigated in part by actively engaging with government policy makers and regulators to ensure the retirement needs of customers are understood. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations. Our information security is under constant review as the cyber-threat evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. We remain vigilant to the range of cyber-risks but recognise the speed of change in cyber-threats means that a risk exposure remains.
Risks arising from the proposed merger with Partnership Assurance On 11 August 2015 the Group announced its intention to merge with Partnership Assurance, and in doing so deliver significant strategic and financial benefits for the Combined Group. Merger integration is a complex process and it may take longer, or cost more than expected, to realise the intended synergies or those synergies may not be fully realised. During the integration process, management could be distracted from day-to-day business resulting in missed opportunities. While the capital consequences of the merger have been carefully assessed, it is possible that the resultant position may be different when the businesses are combined. The process of combining two organisations may have an undesirable effect on the culture of the new Group impacting its effectiveness in the short-term.	**Risk outlook** – No change The Group has raised £97m of new equity capital (net of issue costs) to meet the one-off transaction and integration costs, support new business and product development and add to the regulatory capital strength of the new Combined Group under Solvency II. Due to the overlapping nature of the two organisations, we believe that business as usual activity can be maintained and strategic development moved forward at the same time as integrating the businesses. The integration plans will reflect this approach and be carefully managed. The integration philosophy that we have adopted is "best of both"; this will set the tone for the culture of the new organisation and will be a key focus for the management team.
Risks arising from the referendum on UK membership of the EU A referendum on UK membership of the EU will take place in June 2016. A vote in favour of leaving the EU takes the UK and the wider EU into uncharted territory. Uncertainty over the UK's future is also likely to lead to market volatility before the referendum as well as afterwards if the majority supports an exit.	The implications of a potential decision for the UK to leave the EU are being carefully monitored. Just Retirement does not operate within other EU countries so there are no passporting issues. However, EU concepts are woven into the UK financial services regulatory framework, so much depends on subsequent exit negotiations which may be protracted.

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
Group Finance Director
10 March 2016

Condensed consolidated statement of comprehensive income
For the half year ended 31 December 2015

	Note	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Gross premiums written		**989.0**	625.9	1,099.0
Reinsurance premiums ceded		**(1,418.7)**	(113.4)	(122.9)
Reinsurance recapture		**1,166.9**	–	950.9
Net premium revenue		**737.2**	512.5	1,927.0
Net investment income		**305.3**	548.4	635.2
Fee and commission income		**2.8**	2.4	5.1
Total revenue		**1,045.3**	1,063.3	2,567.3
Gross claims paid		**(272.1)**	(242.6)	(498.6)
Reinsurers' share of claims paid		**117.5**	123.1	248.1
Net claims paid		**(154.6)**	(119.5)	(250.5)
Change in insurance liabilities:				
Gross amount		**(774.3)**	(1,246.2)	(956.7)
Reinsurers' share		**1,236.6**	429.0	(188.3)
Reinsurance recapture		**(1,166.9)**	–	(950.9)
		(704.6)	(817.2)	(2,095.9)
Change in investment contract liabilities		**(3.8)**	(9.7)	(3.5)
Acquisition costs		**(13.4)**	(9.6)	(18.5)
Other operating expenses		**(81.2)**	(59.7)	(127.6)
Finance costs		**(61.6)**	(56.8)	(100.9)
Total claims and expenses		**(1,019.2)**	(1,072.5)	(2,596.9)
Profit/(loss) before tax		**26.1**	(9.2)	(29.6)
Income tax		**(4.2)**	0.9	4.8
Profit/(loss) for the period		**21.9**	(8.3)	(24.8)
Other comprehensive income:				
Exchange differences on translating foreign operations		**(0.4)**	–	(0.2)
Other comprehensive income for the period, net of tax		**(0.4)**	–	(0.2)
Total comprehensive income for the period		**21.5**	(8.3)	(25.0)
Profit/(loss) attributable to:				
Equity holders of Just Retirement Group plc		**21.9**	(8.3)	(24.8)
Profit/(loss) for the period		**21.9**	(8.3)	(24.8)
Total comprehensive income attributable to:				
Equity holders of Just Retirement Group plc		**21.5**	(8.3)	(25.0)
Total comprehensive income for the period		**21.5**	(8.3)	(25.0)
Basic earnings per share (pence)	3	**4.27**	(1.66)	(4.96)
Diluted earnings per share (pence)	3	**4.26**	(1.66)	(4.96)

The notes are an integral part of these financial statements.

Condensed consolidated statement of changes in equity
For the half year ended 31 December 2015

Half year ended 31 December 2015	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
Balance at 1 July 2015	50.1	1.2	347.4	(0.7)	416.0	814.0
Profit for the period	–	–	–	–	21.9	21.9
Other comprehensive income for the period	–	–	–	–	(0.4)	(0.4)
Total comprehensive income for the period	–	–	–	–	**21.5**	**21.5**
Contributions and distributions						
Shares issued (net of issue costs)	6.3	90.7	–	–	–	97.0
Dividends	–	–	–	–	(12.4)	(12.4)
Share-based payments	–	–	–	(1.1)	2.5	1.4
Total contributions and distributions	**6.3**	**90.7**	–	**(1.1)**	**(9.9)**	**86.0**
Balance at 31 December 2015	**56.4**	**91.9**	**347.4**	**(1.8)**	**427.6**	**921.5**

Half year ended 31 December 2014	Share capital £m	Share premium £m	Reorganisation reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
Balance at 1 July 2014	50.1	1.2	347.4	(0.1)	454.2	852.8
Loss for the period	–	–	–	–	(8.3)	(8.3)
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

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

Condensed consolidated statement of financial position
As at 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Assets				
Intangible assets		**73.1**	77.4	75.2
Property and equipment		**10.1**	0.8	0.7
Financial investments	5	**9,542.5**	8,766.6	8,494.7
Reinsurance assets		**2,546.8**	4,045.3	2,477.1
Deferred tax assets		**3.6**	17.5	4.2
Current tax assets		**20.7**	0.6	17.6
Prepayments and accrued income		**131.2**	125.0	86.2
Insurance and other receivables		**2.0**	9.0	34.1
Cash and cash equivalents		**21.9**	19.6	58.8
Total assets		**12,351.9**	13,061.8	11,248.6
Equity				
Share capital	6	**56.4**	50.1	50.1
Share premium	6	**91.9**	1.2	1.2
Reorganisation reserve		**347.4**	347.4	347.4
Shares held by trusts		**(1.8)**	(0.7)	(0.7)
Accumulated profit		**427.6**	436.4	416.0
Total equity attributable to owners of Just Retirement Group plc		**921.5**	834.4	814.0
Liabilities				
Insurance liabilities		**8,214.6**	7,729.8	7,440.3
Investment contract liabilities		**211.9**	235.7	228.3
Loans and borrowings	7	**98.1**	46.9	46.9
Other financial liabilities	8	**2,718.5**	4,129.7	2,643.2
Deferred tax liabilities		**25.1**	31.4	32.9
Other provisions		**1.5**	2.8	1.5
Current tax liabilities		**14.5**	5.8	0.1
Accruals and deferred income		**22.7**	14.5	18.7
Insurance and other payables		**123.5**	30.8	22.7
Total liabilities		**11,430.4**	12,227.4	10,434.6
Total equity and liabilities		**12,351.9**	13,061.8	11,248.6

The notes are an integral part of these financial statements.

Condensed consolidated statement of cash flows
For the half year ended 31 December 2015

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Cash flows from operating activities			
Profit/(loss) before tax	**26.1**	(9.2)	(29.6)
Depreciation of equipment	**0.3**	0.2	0.5
Amortisation of intangible assets	**2.1**	2.1	4.2
Share-based payments	**1.4**	0.9	2.7
Interest income	**(113.1)**	(95.3)	(196.4)
Interest expense	**61.6**	56.8	100.9
Increase in financial investments	**(633.1)**	(1,386.5)	(1,082.6)
(Increase)/decrease in reinsurance assets	**(69.7)**	(429.0)	1,139.2
Increase in prepayments and accrued income	**(41.4)**	(34.7)	–
Decrease/(increase) in insurance and other receivables	**32.1**	(4.0)	(29.1)
Increase in insurance liabilities	**774.3**	1,246.2	956.7
(Decrease)/increase in investment contract liabilities	**(16.4)**	38.3	30.9
(Decrease)/increase in deposits received from reinsurers	**(38.3)**	392.5	(990.4)
Increase/(decrease) in accruals and deferred income	**3.9**	(2.1)	2.3
Increase/(decrease) in insurance and other payables	**100.8**	(4.6)	(12.8)
Increase/(decrease) in other creditors	**126.6**	91.8	(38.8)
Interest received	**109.5**	96.4	201.6
Interest paid	**(56.7)**	(51.8)	(91.8)
Taxation paid	**–**	(20.1)	(24.1)
Net cash inflow/(outflow) from operating activities	**270.0**	(112.1)	(56.6)
Cash flows from investing activities			
Additions to internally generated intangible assets	**–**	(1.9)	(1.8)
Acquisition of property and equipment	**(9.7)**	–	(0.2)
Net cash outflow from investing activities	**(9.7)**	(1.9)	(2.0)
Cash flows from financing activities			
Increase/(decrease) in borrowings	**51.2**	(4.5)	(4.5)
Interest paid	**(1.7)**	(1.0)	(2.3)
Dividends paid	**(12.4)**	(11.0)	(16.5)
Issue of ordinary share capital (net of costs)	**97.0**	–	–
Net cash inflow/(outflow) from financing activities	**134.1**	(16.5)	(23.3)
Net increase/(decrease) in cash and cash equivalents	**394.4**	(130.5)	(81.9)
Cash and cash equivalents at start of period	**313.7**	395.6	395.6
Cash and cash equivalents at end of period	**708.1**	265.1	313.7
Cash available on demand	**21.9**	19.6	58.8
Units in liquidity funds	**686.2**	245.5	254.9
Cash and cash equivalents at end of period	**708.1**	265.1	313.7

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 2015.

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 2015 have been taken from the Group's 2015 Annual Report and Accounts, which was approved by the Board of Directors on 16 September 2015 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 and, as a result of this assessment, are satisfied that the Group and the Company have adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed interim financial statements.

The accounting policies applied are the same as those applied in the Group's 2015 Annual Report and Accounts. The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 Segmental reporting

Segmental analysis of operating profit and profit before tax

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

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

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

During the year to 30 June 2015, the Group reviewed the presentation of its segmental reporting in relation to the operating results of those companies within the insurance segment providing non-advised services, regulated advice and intermediary services, and the provision of licensed software to financial advisers, and the operating results of the other Group companies which are included within Corporate activities. The operating results of these companies have been reclassified to a new line item within operating profit, "Other Group companies' operating result".

In the period to 31 December 2014, the operating result of these companies was included within operating profit within Operating experience and assumption changes. Accordingly, operating losses of £3.9m have been reclassified in the prior year segmental note from Operating experience and assumption changes to Other Group companies' operating result. Of this amount, £1.4m relates to the insurance segment and £2.5m relates to Corporate activities.

In addition, intra-Group interest on Tier 2 loans within Corporate activities has been reclassified from Operating experience and assumption changes to Reinsurance and financing costs. Accordingly, £7.6m of intra-Group interest income previously reported within Operating experience and assumption changes within Corporate activities for the period to 31 December 2014, has been reclassified to Reinsurance and financing costs.

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

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

Segmental reporting and reconciliation to financial information

Half year ended 31 December 2015	Insurance £m	Other segments £m	Corporate activities £m	Total £m
New business operating profit	46.0	–	–	46.0
In-force operating profit	18.8	–	0.4	19.2
Underlying operating profit	**64.8**	**–**	**0.4**	**65.2**
Operating experience and assumption changes	(3.5)	–	–	(3.5)
Other Group companies' operating result	–	(3.0)	(2.9)	(5.9)
Reinsurance and financing costs	(14.3)	–	8.3	(6.0)
Operating profit/(loss) before tax	**47.0**	**(3.0)**	**5.8**	**49.8**
Non-recurring and project expenditure	(7.0)	–	(1.0)	(8.0)
Investment and economic profits/(losses)	2.8	–	(0.4)	2.4
Profit/(loss) before merger transaction and amortisation costs, before tax	**42.8**	**(3.0)**	**4.4**	**44.2**
Merger transaction costs	–	–	(16.3)	(16.3)
Amortisation costs	–	–	(1.8)	(1.8)
Profit/(loss) before tax	**42.8**	**(3.0)**	**(13.7)**	**26.1**

Half year ended 31 December 2014	Insurance £m	Other segments £m	Corporate activities £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 assumption changes	2.7	–	–	2.7
Other Group companies' operating result	–	(1.4)	(2.5)	(3.9)
Reinsurance and financing costs	(14.1)	–	7.6	(6.5)
Operating profit/(loss) before tax	30.8	(1.4)	5.5	34.9
Non-recurring and project expenditure	(8.3)	–	(1.6)	(9.9)
Investment and economic losses	(31.6)	–	(0.7)	(32.3)
(Loss)/profit before amortisation costs and before tax	(9.1)	(1.4)	3.2	(7.3)
Amortisation costs	–	–	(1.9)	(1.9)
(Loss)/profit before tax	(9.1)	(1.4)	1.3	(9.2)

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

Product information analysis

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

The Group's gross premiums written, as shown in the Condensed consolidated statement of comprehensive income, is analysed by product below.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Defined Benefit De-risking Solutions ("DB")	701.2	354.7	608.9
Guaranteed Income for Life contracts ("GIfL")	271.2	266.4	478.0
Care Plans ("CP")	16.6	4.8	12.1
Gross premiums written	**989.0**	625.9	1,099.0

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Drawdown	7.2	35.3	48.7
LTM loans advanced	237.0	159.0	308.1

3 Earnings per share

	Half year ended 31 December 2015			Half year ended 31 December 2014			Year ended 30 June 2015		
	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence
Basic earnings	21.9	512.6	4.27	(8.3)	499.9	(1.66)	(24.8)	499.7	(4.96)
Diluted earnings	21.9	514.1	4.26	(8.3)	499.9	(1.66)	(24.8)	499.7	(4.96)

The calculation of basic and diluted earnings per share is based on dividing the profit attributable to equity holders of the Company of £21.9m (HY 2014: loss of £8.3m; FY 2015: loss of £24.8m) 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 2015 million	Half year ended 31 December 2014 million	Year ended 30 June 2015 million
Weighted average number of ordinary shares	512.6	499.9	499.7
Effect of dilutive potential ordinary shares:			
Share options	1.5	–	–
Diluted weighted average number of ordinary shares	514.1	499.9	499.7

4 Dividends

Dividends paid were as follows.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Final dividend:			
- in respect of the year ended 30 June 2015 – 2.2 pence per share, paid on 7 December 2015	12.4	–	–
- in respect of the year ended 30 June 2014 – 2.2 pence per share, paid on 8 December 2014	–	11.0	11.0
Interim dividend:			
- in respect of the year ended 30 June 2015 – 1.1 pence per share, paid on 14 May 2015	–	–	5.5
Total dividends paid	12.4	11.0	16.5

The Directors proposed an interim dividend of 1.1 pence per share in respect of the current period.

5 Financial investments

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

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

	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Fair value through profit or loss			
Loans secured by mortgages	3,802.4	3,616.5	3,471.8
Other financial investments	5,740.1	5,150.1	5,022.9
Total financial investments	9,542.5	8,766.6	8,494.7

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

Other financial investments

	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Fair value			
Units in liquidity funds	**712.1**	270.6	280.2
Debt securities and other fixed income securities	**4,857.8**	4,819.4	4,673.8
Deposits with credit institutions	**29.1**	32.0	18.0
Derivative financial assets	**34.7**	28.1	50.9
Infrastructure loans	**101.6**	–	–
Recoveries from reinsurers on investment contracts	**4.8**	–	–
Total fair value of other financial investments	**5,740.1**	5,150.1	5,022.9
Cost			
Units in liquidity funds	**711.8**	270.5	279.9
Debt securities and other fixed income securities	**4,792.7**	4,540.2	4,536.2
Deposits with credit institutions	**29.1**	32.0	18.0
Derivative financial assets	**8.2**	1.7	8.2
Infrastructure loans	**100.0**	–	–
Recoveries from reinsurers on investment contracts	**4.7**	–	–
Total cost of other financial investments	**5,646.5**	4,844.4	4,842.3

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

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

Deposits with credit institutions with a carrying value of £28.7m (31 Dec 2014: £29.5m; 30 Jun 2015: £17.2m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

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

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

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

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Market-corroborated inputs.

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

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

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

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

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

The valuation of loans secured by mortgages is determined using an internal model which projects future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, costs arising from no-negative equity guarantees and voluntary redemptions. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

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

The recalibration process reassessed the level of the liquidity premium and this is now considered to be an observable input to the internal model. As a result of the recalibration, a day-one gain no longer arises, and profit is recognised over the term of the contract. There is no longer any aggregate difference yet to be recognised in profit or loss between the fair value of the mortgages at initial recognition and the amount that would have been determined at that date using the valuation technique.

The Level 3 bonds are either infrastructure private placement bonds or asset-backed securities. Such securities are valued using discounted cash flow analyses using prudent assumptions based on the repayment of the underlying loan.

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

There are no non-recurring fair value measurements as at 31 December 2015 (31 Dec 2014: nil; 30 Jun 2015: nil).

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

31 December 2015	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets held at fair value				
Units in liquidity funds	712.1	–	–	712.1
Debt securities and other fixed income securities	668.0	4,124.8	65.0	4,857.8
Deposits with credit institutions	28.7	0.4	–	29.1
Derivative financial assets	–	34.7	–	34.7
Loans secured by mortgages	–	–	3,802.4	3,802.4
Infrastructure loans	–	–	101.6	101.6
Recoveries from reinsurers on investment contracts	–	–	4.8	4.8
Total assets held at fair value	**1,408.8**	**4,159.9**	**3,973.8**	**9,542.5**
Liabilities held at fair value				
Investment contract liabilities	–	–	211.9	211.9
Derivative financial liabilities	–	89.9	–	89.9
Obligations for repayment of cash collateral received	5.6	–	–	5.6
Total liabilities held at fair value	**5.6**	**89.9**	**211.9**	**307.4**

31 December 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity 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
Derivative financial assets	–	28.1	–	28.1
Loans secured by mortgages	–	–	3,616.5	3,616.5
Total assets held at fair value	1,017.9	4,116.1	3,632.6	8,766.6
Liabilities held at fair value				
Investment contract liabilities	–	–	235.7	235.7
Derivative financial liabilities	–	187.9	–	187.9
Total liabilities held at fair value	–	187.9	235.7	423.6

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

(c) Transfers between levels

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

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

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

Debt securities and other fixed income securities

Debt securities classified as Level 3 are either infrastructure private placement bonds or asset-backed securities.

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
At start of period	**18.5**	15.5	15.5
(Losses)/gains in profit or loss	**(0.6)**	0.6	(0.1)
Purchases	**50.0**	–	–
Transfers from Level 2	–	–	3.5
Sales/maturities	**(2.8)**	–	–
Amortisation	**(0.1)**	–	(0.4)
At end of period	**65.0**	16.1	18.5

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

Redemption and defaults

The redemption and default assumptions used in the valuation of infrastructure private placement bonds are similar to the rest of the Group's bond portfolio. They have additional covenants which provide greater security but these are not quantified in the valuation.

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

Sensitivity analysis

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

	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Fair value	**3,802.4**	3,616.5	3,471.8
At cost[1]	**2,263.2**	1,961.9	2,073.3

[1]Includes advances and further advances, less redemptions

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
At start of period	**3,471.8**	2,749.4	2,749.4
Total gains in profit or loss[1]	**162.5**	765.9	523.9
Loans advanced	**237.0**	159.0	308.1
Redemptions	**(68.9)**	(57.8)	(109.6)
At end of period	**3,802.4**	3,616.5	3,471.8

[1]All gains and losses are included in Net investment income in profit or loss

Principal assumptions underlying the calculation of loans secured by mortgages

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

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.8% (31 Dec 2014: 3.9%; 30 Jun 2015: 3.8%).

Mortality

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

Property prices

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

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking, and the assumed redemption rate for policies in their first year is 0.6% (31 Dec 2014: 0.6%; 30 Jun 2015: 0.6%).

Sensitivity analysis

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

	Loans secured by mortgages valuation assumptions			
Net increase/(decrease) in profit before tax (£m)	Maintenance expenses +10%	Mortality -5%	Property prices -10%	Voluntary redemptions -10%
31 December 2015	**(4.4)**	**17.0**	**(29.5)**	**15.6**
31 December 2014	(0.7)	3.3	(5.6)	3.2
30 June 2015	(4.1)	15.3	(26.1)	14.3

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

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

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.

Infrastructure loans

Reconciliation of the opening and closing recorded amount of Level 3 infrastructure loans

	Half year ended 31 December 2015 £m
At start of period	–
Gains in profit or loss	**1.6**
Loans advanced	**100.0**
Redemptions	–
At end of period	**101.6**

Principal assumptions underlying the calculation of infrastructure loans classified as Level 3

Redemption and defaults

The redemption and default assumptions used in the valuation of infrastructure loans are similar to the Group's bond portfolio. They have additional covenants which provide greater security but these are not quantified in the valuation.

Sensitivity analysis

The sensitivity of profit before tax to changes in default assumptions and redemption profiles in respect of Level 3 infrastructure loans is not material.

Recoveries from reinsurers on investment contracts

Recoveries from reinsurers on investment contracts represent fully reinsured funds invested under the Flexible Pension Plan. The linked liabilities are included in Level 3 investment contract liabilities.

Reconciliation of the opening and closing recorded amount of Level 3 recoveries from reinsurers on investment contracts

	Half year ended 31 December 2015 £m
At start of period	–
Gains in profit or loss	**0.3**
Deposits received from policyholders	**4.8**
Payments made to policyholders and fees deducted	**(0.3)**
At end of period	**4.8**

Principal assumptions and sensitivity of profit before tax

Recoveries from reinsurers on investment contracts are valued based on the price of the reinsured underlying funds determined by the asset managers. The assets are classified as Level 3 because the prices are not validated by internal models or the observable inputs used by the asset managers are not available. Therefore, there are no principal assumptions used in the valuation of these Level 3 assets.

Investment contract liabilities

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
At start of period	**228.3**	197.4	197.4
Deposits received from policyholders	**7.2**	35.3	49.1
Payments made to policyholders	**(27.4)**	(6.7)	(21.7)
Change in contract liabilities recognised in profit or loss	**3.8**	9.7	3.5
At end of period	**211.9**	235.7	228.3

Principal assumption underlying the calculation of investment contract liabilities

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.1% (31 Dec 2014: 4.2%; 30 Jun 2015: 4.1%).

Sensitivity analysis

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

6 Share capital

The allotted and issued ordinary share capital of Just Retirement Group plc at 31 December 2015 is detailed below.

	Number of £0.10 ordinary shares	**Share capital £m**	**Share premium £m**	**Total £m**
At 1 July 2015	**500,864,706**	**50.1**	**1.2**	**51.3**
Shares issued under capital placing and open offer	**63,525,672**	**6.3**	**90.7**	**97.0**
In respect of employee share schemes	**7,024**	–	–	–
At 31 December 2015	**564,397,402**	**56.4**	**91.9**	**148.3**

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Total £m
At 1 July 2014	500,831,070	50.1	1.2	51.3
In respect of employee share schemes	4,891	–	–	–
At 31 December 2014	500,835,961	50.1	1.2	51.3

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

7 Loans and borrowings

	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Bank borrowings	**98.1**	46.9	46.9

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

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

On 7 August 2015, Just Retirement (Holdings) Limited entered into an amendment to the original loan agreement and on 10 August 2015 drew down a further £30m from each of Royal Bank of Scotland plc and Barclays Bank plc.

£3.6m of the loan was repaid on 11 October 2013, £4.5m was repaid on 11 October 2014, and £8.8m was repaid on 11 October 2015.

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

8 Other financial liabilities

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

	Note	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Fair value through profit or loss				
Derivative financial liabilities	(a)	**89.9**	187.9	74.3
Obligations for repayment of cash collateral received	(a)	**5.6**	–	18.6
Liabilities measured using insurance rules				
Deposits received from reinsurers	(b)	**2,435.3**	3,856.5	2,473.6
Reinsurance finance	(c)	**85.4**	85.3	76.7
Reinsurance funds withheld	(d)	**102.3**	–	–
Total other liabilities		**2,718.5**	4,129.7	2,643.2

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

(a) Derivative financial liabilities and obligations for repayment of cash collateral received
The derivative financial liabilities are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

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

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

(d) Reinsurance funds withheld
Reinsurance funds withheld are measured and valued in accordance with the reinsurance contract, which takes into account an appropriate discount rate for the timing of expected cash flows.

9 Derivative financial instruments

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

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD/EUR asset swaps	17.3	16.6	368.4
Sterling interest rate swaps	16.4	66.4	247.3
Sterling interest rate swaptions	1.0	–	1,140.0
Inflation swap	–	6.9	256.2
Total at 31 December 2015	**34.7**	**89.9**	**2,011.9**

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD 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 at 31 December 2014	28.1	187.9	1,003.8

Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m
GBP and USD asset swaps	29.7	4.0	368.4
Sterling interest rate swaps	15.1	70.3	314.0
Sterling interest rate swaptions	6.1	–	1,140.0
Inflation swap	–	–	6.5
Total at 30 June 2015	50.9	74.3	1,828.9

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

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

As at 31 December 2015, the Company had pledged collateral of £82.4m (31 Dec 2014: £128.8m; 30 Jun 2015: £55.6m) of which £53.7m were gilts (31 Dec 2014: £133.8m; 30 Jun 2015: £38.4m) and had received cash collateral of £5.6m (31 Dec 2014: nil; 30 Jun 2015: £18.6m).

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Movement in fair value of swaps	**(31.8)**	(112.5)	15.7
Realised losses on interest rate swaps closed	**(14.1)**	(16.3)	(145.0)
Total amounts recognised in profit or loss	**(45.9)**	(128.8)	(129.3)

10 Related parties

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

Key management personnel comprise the Directors of the Company.

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

Key management compensation is as follows.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Short-term employee benefits	**2.1**	2.7	7.0
Share-based payments	**0.7**	0.5	1.2
Total key management compensation	**2.8**	3.2	8.2

11 Post balance sheet events

There have been no material events between 31 December 2015 and the date of this report that are required to be brought to the attention of shareholders.

European embedded value (“EEV”)

Supplementary financial statements

Just Retirement Group plc has prepared supplementary financial statements for the Group on an EEV basis. The Embedded Value has been prepared in accordance with the CFO Forum’s Principles and additional guidance on EV reporting in advance of Solvency II issued in October 2015. As such these statements do not reflect the impact of Solvency II on the results.

Life insurance products are, by their nature, long-term and the profit on this business is generated over a significant number of years. Accounting under IFRS alone does not, in the Group’s opinion, fully reflect the value of future cash flows. The Group considers that embedded value reporting provides investors with a measure of the future profit streams of the Group’s in-force long-term business and is a valuable supplement to statutory accounts.

Summarised statement of comprehensive income

For the half year ended 31 December 2015

	Note	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Operating profit for covered business	6	109.8	65.8	112.3
Operating loss of distribution company		(1.6)	(0.2)	(0.7)
Operating (loss)/profit from other Group companies				
Merger transaction costs		(16.3)	–	–
Other		1.6	3.7	6.5
Operating profit		93.5	69.3	118.1
Economic variance	6	(42.5)	32.2	(23.4)
Profit before tax		51.0	101.5	94.7
Tax				
Covered business	6	(13.5)	(20.7)	(16.7)
Other		1.4	(1.7)	(3.8)
Profit after tax		38.9	79.1	74.2
Other comprehensive income				
Exchange differences on translating foreign operations		(0.4)	–	(0.2)
Total other comprehensive income, net of tax		(0.4)	–	(0.2)
Total comprehensive income		38.5	79.1	74.0

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

Group statement of changes in equity

For the half year ended 31 December 2015

	Half year ended 31 December 2015			Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
	Covered business £m	Non-covered business £m	Total £m		
Opening Group EEV	**782.8**	**236.5**	**1,019.3**	959.1	959.1
Total comprehensive income for the period	53.9	(15.4)	38.5	79.1	74.0
Shares issued (net of issue costs)	–	97.0	97.0	–	–
Capital injections	30.0	(30.0)	–	–	–
Dividends	–	(12.4)	(12.4)	(11.0)	(16.5)
Share-based payments	–	1.4	1.4	0.9	2.7
Closing Group EEV	**866.7**	**277.1**	**1,143.8**	1,028.1	1,019.3

Group statement of financial position

As at 31 December 2015

	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Assets			
Value of in-force business	**554.4**	399.6	417.9
Intangible assets	**4.8**	5.5	5.1
Property and equipment	**10.1**	0.8	0.7
Financial investments	**9,542.5**	9,339.3	8,494.7
Reinsurance assets	**2,676.3**	4,131.0	2,645.0
Deferred tax assets	**3.6**	4.4	4.2
Current tax assets	**20.7**	0.6	17.6
Prepayments and accrued income	**131.2**	125.0	86.2
Insurance and other receivables	**2.0**	9.0	34.1
Cash and cash equivalents	**21.9**	19.6	58.8
Total assets	**12,967.5**	14,034.8	11,764.3
Equity	**1,143.8**	1,028.1	1,019.3
Liabilities			
Insurance liabilities	**8,716.8**	8,624.5	7,859.0
Loans and borrowings	**98.1**	46.9	46.9
Other liabilities	**2,844.9**	4,280.1	2,794.7
Other provisions	**5.0**	6.2	4.8
Current tax liabilities	**14.5**	5.8	0.1
Accruals and deferred income	**22.7**	14.5	18.7
Insurance and other payables	**121.7**	28.7	20.8
Total liabilities	**11,823.7**	13,006.7	10,745.0
Total equity and liabilities	**12,967.5**	14,034.8	11,764.3

The notes form 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 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Shareholders’ equity on IFRS basis	**921.5**	834.4	814.0
Asset valuation differences	**57.7**	583.3	94.5
Liability valuation differences	**(414.9)**	(807.5)	(340.0)
Deferred tax	**25.1**	18.3	32.9
Value of in-force business	**554.4**	399.6	417.9
Shareholders’ equity on EEV basis	**1,143.8**	1,028.1	1,019.3
Analysis of ordinary shareholders’ equity			
IFRS-basis ordinary shareholders’ equity	**921.5**	834.4	814.0
Additional retained profit on an EEV basis	**222.3**	193.7	205.3
Shareholders’ equity on EEV basis	**1,143.8**	1,028.1	1,019.3

The asset valuation differences of £57.7m (31 Dec 2014: £583.3m; 30 Jun 2015: £94.5m) are caused largely by the different valuation placed on reinsurance assets under regulatory accounting, and the removal of intangible assets recorded under IFRS, which are not recognised on the EEV basis. The liability valuation differences of £414.9m (31 Dec 2014: £807.5m; 30 Jun 2015: £340.0m) are caused largely by the different discount rates used to value the retirement income customer liabilities in regulatory accounting (resulting from additional margins for prudence) and additional margins in the longevity assumptions.

Notes to the European embedded value

Supplementary financial statements

1) Basis of presentation

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

The EEV basis results have been prepared in accordance with the EEV Principles issued in May 2004 by the European Insurance CFO Forum ("CFO Forum"), and supplemented by the Additional Guidance on EEV Disclosures published in October 2005. The EEV basis results have not made any allowance for the impact of Solvency II, in line with the CFO Forum guidance issued in October 2015. The Directors believe that the supplementary statements appropriately reflect its underlying profitability whilst continuing to adhere to EEV Principles.

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

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

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

2) Methodology

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

A. Embedded value overview

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

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

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

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

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

B. Covered business

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

- Long-term business operations. This is business falling under the definition of long-term insurance business for UK regulatory purposes and principally comprises:
  - Pension Guaranteed Income for Life Solutions ("GIfL");
  - Defined Benefit De-risking contracts ("DB");
  - Drawdown pension business contracts; and
  - Care Plans.

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

- Lifetime mortgages. These are held as investments to back the pension GIfL and DB contracts.

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

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

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

D. Components of value
The values of in-force business and new business each comprise four components:
(i) Certainty equivalent value; less
(ii) Time value of financial options and guarantees; less
(iii) Allowance for non-market risk; less
(iv) Cost of capital.

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

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

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

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

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

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

(iii) Allowance for non-market risks
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, the reference rate used for valuing the retirement income cash flows has been set equal to the mid-market swap rate, plus a liquidity premium adjustment. From June 2015 the mortgage asset values used in the embedded value have been brought into line with the IFRS fair values calculated by discounting the future cash flows at a swap rate plus a liquidity premium. To be consistent with the mortgage asset values, the calculation of the liquidity premium adjustment in the value of in-force has changed and is calculated separately for both corporate bonds and lifetime mortgages backing the retirement income liabilities. For corporate bonds the liquidity premium is calculated by deducting a prudent allowance for credit default risk from the overall average spread to swaps on the whole corporate bond portfolio. For lifetime mortgages the liquidity premium is calculated by equating the present value of all the matching cash flows discounted at the swap rate plus the liquidity premium to the IFRS asset value of the matching mortgages. The same approach has been used to value the lifetime mortgage cash flows that are not deemed to back the retirement income business.

(i) In-force business
For the in-force business the liquidity premium adjustment has been derived using the method described above.

(ii) New business
For new business written during the financial year the liquidity premium varies by the month of policy inception. The liquidity premium adjustment applied to each month's new retirement income business is consistent with the method used to value the in-force business described above. For corporate bonds assumed to back the new business, the liquidity premium is calculated by deducting a prudent allowance for credit default risk from the estimated spread for new bond purchases in the period. The estimated spread uses the daily iBOXX Z-spread adjusted for differences between the spreads on bond purchases and the index. For lifetime mortgages the liquidity premium is calculated by equating the present value of all the matching cash flows for new lifetime mortgages discounted at the swap rate plus the liquidity premium to the point-of-sale IFRS asset value of the new matching mortgages. This calculation is done separately for each month's new business, assuming each month's lifetime mortgages are 25% of the backing asset mix and the remaining new retirement income cash flows are backed by bonds. The value of each month's new retirement income business is calculated by discounting the cash flows using point-of-sale mid-market swap rates plus the level monthly liquidity premium calculated as described here.

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

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

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

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

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

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

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

Sample mid-market swap rates at 31 December 2015, 31 December 2014 and 30 June 2015 are shown in the following table.

	Term (years)				
Swap rates (at sample terms, %)	1	5	10	20	30
31 December 2015	**0.8**	**1.6**	**2.0**	**2.2**	**2.2**
31 December 2014	1.0	1.5	1.9	2.3	2.3
30 June 2015	0.8	1.7	2.2	2.4	2.4

The average in-force liquidity premium adjustment as at 31 December 2015 was 192bp (31 Dec 2014: 69bp; 30 Jun 2015: 178bp). 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 226bp (30 Jun 2015: 61bp on the previous methodology) for each month's new business.

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

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

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

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

Sample mid-market house price inflation rates at 31 December 2015, 31 December 2014 and 30 June 2015 are shown in the following table.

	Term (years)				
House price inflation rates (at sample terms, %)	1	5	10	20	30
31 December 2015	**2.6**	**3.4**	**3.7**	**4.0**	**4.0**
31 December 2014	2.9	2.0	3.5	3.9	4.0
30 June 2015	(3.7)	0.9	3.2	4.1	4.1

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 2015 was 9.6% p.a. (31 Dec 2014: 9.7% p.a.; 30 Jun 2015: 9.7% p.a.). The volatility assumption used for new business was 9.7% p.a.

Expense inflation
For the retirement income products, the assumed future rate of increases in per policy maintenance expenses is 3.6% p.a. (31 Dec 2014: 3.7% p.a.; 30 Jun 2015: 3.6% p.a.).
For the lifetime mortgages, the assumed future rate of increases in maintenance expenses is 3.8% p.a. (31 Dec 2014: 3.9% p.a.; 30 Jun 2015: 3.8% p.a.).
The difference reflects the difference in average duration of the cash flows and the shape of the RPI curve at the valuation date.

Taxation
The rate of corporation tax assumed is 20% throughout being the effective tax rate at the valuation date (31 Dec 2014: 22.5%; 30 Jun 2015: 20%).

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

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

For the GIfL policies the mortality assumptions are based on the PCMA00 (males) and PCFA00 (females) mortality tables and the CMI 2014 model improvement factors. These base factors are overlaid by a series of underwriting factors applied to the base mortality rates. These adjustments are made to reflect the nature and likely incidence of the underlying risks inherent within the business written. These assumptions are unchanged from those used at 30 June 2015.

For DB policies the mortality basis is set with reference to the base table and mortality improvement rates provided by RGA (i.e. the reinsurer with whom each DB scheme is reinsured). These assumptions are unchanged from those used at 30 June 2015.

For Care Plan policies the mortality basis is set with reference to the table provided by Gen Re (i.e. the reinsurer with whom each Care Plan policy is individually underwritten). These assumptions are unchanged from those used at 30 June 2015.

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 2015.

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

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

The decrement for moving into long-term care is expressed as a proportion of the underlying mortality assumption for the relevant lives. The decrement for voluntary repayments is expressed as annual percentages of the portfolio in force and exhibits a term structure based on duration in force. These assumptions are unchanged from those used at 30 June 2015.

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 2015 have been considered exceptional and one-off in nature. These non-recurring expenses have been identified separately and have not been included in the calculation of the value of in-force business or in the value of new business although they have been reflected in the operating profit. Total non-recurring expenses for the period ended 31 December 2015 were £7.0m (31 Dec 2014: £8.3m; 30 Jun 2015: £16.8m).

The look-through principle has not been applied to the losses in the distribution company arising from the sale of products arising from the covered business, and so these losses have not been included as a deduction against the value of new business. The distribution company is

considered to be a stand-alone business and its activities do not relate solely to the sale of JRL products. The recognised loss in the distribution company has been accounted for on an IFRS basis, separately to the results of the covered business.

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

Non-market risk
At 31 December 2015 the provision for non-market risk has been established as 0.18% of the best estimate reserves in respect of retirement income business. This assumption is unchanged from that used as at 30 June 2015. For the value of new business in the period to 31 December 2015, a deduction of 0.18% of best estimate reserves at point of sale has been applied.

Required capital
At 31 December 2015 the assumed level of required capital to support the business represents 175% of JRL's long-term insurance capital requirement ("LTICR") together with 175% of the resilience capital requirement ("RCR"), as set out in PRA regulations. This assumption is unchanged from that used as at 30 June 2015.

4) Group embedded value

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

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Just Retirement Limited			
Shareholders' net assets	**312.3**	389.0	364.9
Value of in-force business			
Certainty equivalent value	**624.4**	496.2	525.8
Deferred tax asset	**31.1**	22.8	8.7
Time value of financial options and guarantees	**(56.5)**	(79.0)	(76.1)
Allowance for non-market risk	**(13.4)**	(11.5)	(11.9)
Cost of capital	**(31.2)**	(28.9)	(28.6)
Value of in-force business	**554.4**	399.6	417.9
Embedded value of Just Retirement Limited	**866.7**	788.6	782.8
Net assets of other Group companies	**277.1**	239.5	236.5
Group embedded value	**1,143.8**	1,028.1	1,019.3

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 periods ended 31 December 2015, 31 December 2014 and 30 June 2015.

	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 £m
Certainty equivalent value	**81.8**	59.7	119.2
Time value of financial options and guarantees	**(5.0)**	(7.1)	(14.3)
Allowance for non-market risk	**(1.1)**	(0.4)	(1.4)
Cost of capital	**(4.7)**	(3.6)	(5.4)
Value of new business	**71.0**	48.6	98.1

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

The following table sets out an analysis of the embedded value profit for the period ended 31 December 2015 together with the comparative figures for the period ended 31 December 2014 and the year ended 30 June 2015. 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 shareholders' net assets and the value of in-force business.

	Shareholders' net assets £m	Value of in-force business £m	Total for half year ended 31 December 2015 £m	Total for half year ended 31 December 2014 £m	Total for year ended 30 June 2015 £m
Opening embedded value	**364.9**	**417.9**	**782.8**	699.1	699.1
Expected return on opening embedded value	2.1	19.5	**21.6**	17.3	37.7
Expected surplus from in-force business	31.8	(31.8)	–	–	–
New business contribution	(43.5)	132.3	**88.8**	61.3	122.7
Operating experience variance	(65.7)	61.4	**(4.3)**	(12.8)	(29.2)
Operating assumption changes	(33.5)	47.2	**13.7**	8.7	(0.6)
Interest on Tier 2 loan	(10.0)	–	**(10.0)**	(8.7)	(18.3)
Operating profit for covered business	**(118.8)**	**228.6**	**109.8**	65.8	112.3
Economic variance[1]	15.5	(57.9)	**(42.4)**	34.4	(21.9)
Embedded value profit before tax	**(103.3)**	**170.7**	**67.4**	100.2	90.4
Tax	20.7	(34.2)	**(13.5)**	(20.7)	(16.7)
Profit after tax	**(82.6)**	**136.5**	**53.9**	79.5	73.7
New capital	30.0	–	**30.0**	10.0	10.0
Closing embedded value	**312.3**	**554.4**	**866.7**	788.6	782.8

[1] The economic variance of £(42.5)m (Dec 2014: £32.2m; Jun 2015: £(23.4)m) reported in the Summarised statement of comprehensive income includes £(0.1)m (Dec 2014: £(2.2)m; Jun 2015: £(1.5)m) 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 2015 £m	Total for half year ended 31 December 2014 £m	Total for year ended 30 June 2015 £m
Reinsurance arrangements	(16.1)	28.8	**12.7**	2.6	5.1
Maintenance and investment expenses	(1.6)	–	**(1.6)**	(0.7)	(0.3)
Non-recurring expenses	(7.0)	–	**(7.0)**	(8.3)	(16.8)
Strategic investment expenses	(0.9)	–	**(0.9)**	(1.1)	(1.5)
Tax variances	(36.7)	28.0	**(8.7)**	(4.2)	(2.5)
Experience variances	(3.4)	4.6	**1.2**	(1.1)	(13.2)
Total operating experience variances	**(65.7)**	**61.4**	**(4.3)**	(12.8)	(29.2)

8) Operating assumption changes before tax for JRL

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

	Shareholders' net assets £m	Value of in-force business £m	Total for half year ended 31 December 2015 £m	Total for half year ended 31 December 2014 £m	Total for year ended 30 June 2015 £m
Maintenance expenses	–	–	–	–	(1.9)
Tax	–	–	–	10.4	16.1
Reinsurance changes	–	–	–	(0.7)	1.0
IFRS mortgage valuation	–	–	–	–	(16.6)
Model changes	(33.2)	47.2	**14.0**	0.4	(0.1)
Other	(0.3)	–	**(0.3)**	(1.4)	0.9
Total operating assumption changes	**(33.5)**	**47.2**	**13.7**	8.7	(0.6)

The tax items at 30 June 2015 and 31 December 2014 reflect the change from the effective tax rate used at the previous reporting date (June 2014: 22.5%) to the rate used at the respective reporting date (December 2014: 20.75%; June 2015: 20%).

The IFRS mortgage valuation item at 30 June 2015 includes the change to the liquidity premium methodology.

9) Sensitivities

The Group embedded value at 31 December 2015 and the value of new business for the period to 31 December 2015 have been recalculated to show the sensitivity of the results to changes in certain of the assumptions discussed above.

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

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

The sensitivities tested were:

- Interest rates 1% lower than in the central case with resulting changes in asset values and reference rates. The impact for the values of new business has not been calculated for this sensitivity as the Group actively reviews its premium rates and in the event of such a sudden change in economic conditions the Group would change its rates.
- Interest rates 1% higher than in the central case with resulting changes in asset values and reference rates.
- Reference rates 10bp lower than in the central case, with no change in asset values. The purpose of this sensitivity is to illustrate the impact of using a different definition of the reference rate than basing it on mid-market swap rates.
- Credit spreads (represented by the difference between corporate bond yields and swap rates) 10bp narrower than in the central case. For this sensitivity there is no change to the liquidity premium.
- Credit spreads 10bp wider than in the central case. For this sensitivity there is no change to the liquidity premium.
- Liquidity premium 10bp lower than in the central case (in relation to the corporate bond element only).
- Property market values 10% lower than in the central case.
- Implied property volatility assumption 125% of the assumption in the central case.
- Implied property volatility assumption 75% of the assumption in the central case.
- Retirement income customer base mortality 5% lower than in the central case (i.e. 95% of the central mortality rates).
- Lifetime mortgage base mortality 5% lower than in the central case (i.e. 95% of the central mortality rates). For this sensitivity, the allowance for moving into long-term care is also assumed to be 5% lower.
- Lifetime mortgage voluntary redemption assumption 10% lower than in the central case (i.e. 90% of the base case assumption).
- Maintenance expenses 10% lower than in the central case (i.e. 90% of base case costs) including the resulting reduction in the maintenance expense overrun.
- Corporation tax rate set to 19% (i.e. 1% lower than in the central case).
- Required capital equal to 100% of the LTICR plus 100% of the RCR.

Sensitivity of values to changes in assumptions

	Embedded value at 31 December 2015 £m	Value of new business for period ended 31 December 2015 £m
Central value	1,143.8	71.0
Impact of:		
• 1% reduction in yield curves	87.1	n/a
• 1% increase in yield curves	(38.7)	n/a
• 10bp reduction in reference rate	(15.3)	(4.0)
• 10bp reduction in credit spreads	4.9	n/a
• 10bp increase in credit spreads	(5.7)	n/a
• 10bp reduction in liquidity premium	(21.0)	(3.9)
• 10% reduction in property values	(24.2)	(0.8)
• 125% of implied property volatilities	(43.1)	(1.3)
• 75% of implied property volatilities	29.9	1.8
• 5% reduction in retirement income customer base mortality	(95.8)	(5.2)
• 5% reduction in lifetime mortgage base mortality	12.5	0.8
• 10% reduction in lifetime mortgage voluntary redemptions	12.8	1.4
• 10% reduction in maintenance expenses	14.5	1.3
• 1% reduction in corporation tax rate	7.2	1.3
• Required capital equal to 100% of LTICR plus 100% of RCR	15.6	2.1