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NEWS RELEASE

6 September 2018

JUST GROUP PLC INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Just Group plc (the "Group", "Just") announces its results for the six months ended 30 June 2018.

Highlights

- **Adjusted operating profit¹ up 85% to £124m** in H1 2018 compared to H1 2017. **IFRS profit before tax was £45.7m** (H1 2017: £66.0m)
- **New business profit¹ up 88% to £121m** compared to H1 2017. This was driven by strong sales growth and an increase in new business margin to 10.2%, from 8.9% in H1 2017
- **Retirement income sales growth of 64%** in H1 2018 compared to H1 2017. Defined Benefit De-risking ("DB") sales were up 143% and Guaranteed Income for Life ("GIFL") sales were up 9%
- **Embedded value¹ per share has risen to 230p** and IFRS Tangible Net Asset Value is 169p per share
- **Solvency coverage ratio of 150%, and after allowance for notional TMTP recalculation 142%** (31 December 2017: 139%). In light of the uncertainty created by Consultation Paper 13/18, the Board has deferred any interim dividend declaration until the position is clarified

Rodney Cook, Group Chief Executive Officer, said:

"We are pleased with our trading results this year. Exceptional sales growth, new business profit growth and adjusted operating profit growth are testament to our financial discipline and our Group capabilities. They show that our strategy of focusing on attractive growth markets is working.

The parts of the retirement market that we operate in are experiencing positive momentum and have good long-term prospects. The DB market has accelerated this year as the de-risking process has become a mainstream solution. Shopping around for retirement income has been further encouraged by a number of Financial Conduct Authority ("FCA") initiatives. The lifetime mortgage market has been supported by new supply which is helping to stimulate demand for a product that is helpful to those reaching retirement with housing wealth but a lack of adequate pension provision.

The Prudential Regulation Authority ("PRA") has issued CP13/18 in relation to lifetime mortgages being held to back annuity liabilities. CP13/18 contains proposals which if implemented as outlined, could result in a material reduction in our capital position. This is an open consultation and the outcome remains uncertain. We are, furthermore, in active dialogue with the PRA over many aspects of the proposals contained within the consultation paper.

We have already made changes to our new business pricing and product features that we believe will deliver attractive returns to shareholders. CP13/18 is for us primarily a back book issue and we believe we have a robust mortgage book that is performing well economically. Additionally we are already making material allowances for mortgage risk within our Solvency II balance sheet.

We are actively planning for a wide range of outcomes from the consultation process. We have a number of capital management options open to us and in evaluating those will seek to optimise shareholder value.

Given the uncertainty surrounding the potential outcomes from CP13/18, the Board felt it appropriate to defer any dividend declaration until we have greater clarity on our capital position.”

Notes

1. Alternative performance measure (“APM”) – In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in the glossary at the end of this announcement.

FINANCIAL CALENDAR	DATE
Business update for the period ending 30 September 2018	31 October 2018

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A presentation for analysts will take place at 9.30am today at Nomura, One Angel Lane, London, EC4R 3AB. A live webcast will also be available on www.justgroupplc.co.uk at 9:30am.

Due to security restrictions at the venue attendance is limited to those who have registered.

A copy of this announcement, the presentation slides and transcript will be available on the Group’s website.

JUST GROUP PLC

GROUP COMMUNICATIONS
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Forward-looking statements disclaimer:

This announcement in relation to Just 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; 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.

Group Chief Executive Officer's Report

INTRODUCTION

I am pleased to present Just Group plc's half year report for the six months ended 30 June 2018. Our strategy of focusing on attractive growth markets continues to deliver strong new business results and increased operating profits.

PERFORMANCE REVIEW

During the six month period we have maintained our strategy of focusing on attractive growth markets and have achieved significant growth in both volumes and operating profits.

Adjusted operating profit increased by 85% from £67.2m to £124.4m, driven by the increase in new business profit from £64.0m for the six months ended 30 June 2017, to £120.6m. The increase in new business profit was a result of both the 64% increase in Retirement Income sales, and also the increase in margin from 8.9% to 10.2%.

IFRS profit before tax for the six months ended 30 June 2018 was £45.7m compared to £66.0m for the six months ended 30 June 2017, the reduction being mainly as a result of negative economic variances experienced due to increased interest rates compared to the prior period.

We achieved increased sales compared to 2017 for each of our retirement income products (DB, GifL and Care), with DB sales performing particularly strongly (£718.1m for H1 2018 compared to £295.6m for H1 2017), and driving a 64% overall increase in Retirement Income sales.

We advanced £312.7m of Lifetime Mortgage ("LTM") loans in the period, compared to £230.2m in the six months ended 30 June 2017. This represents 26.5% of Retirement Income sales (six months ended 30 June 2017: 32.0% of Retirement Income sales).

Total new business sales increased by 56%, from £975.0m for the six months ended 30 June 2017, to £1,516.8m for the six months ended 30 June 2018.

From an economic perspective we remain comfortable with our strategy of using a mixture of gilts, corporate bonds, mortgages, private placement and infrastructure loans to back our DB and GifL liabilities. Our Lifetime Mortgage portfolio is balanced across a range of UK geographic areas with an overall portfolio average loan-to-value ("LTV") of 31%. The average LTV for advances made during the period was 28%.

Our service offering continues to excel and to provide a "Just" experience to our customers of which we are rightly proud. We are delighted to have achieved 5 stars in the Life & Pensions and the Mortgages categories of the Financial Adviser Service Awards, for the 13th and 10th consecutive years respectively.

CAPITAL

In July 2018 the PRA published CP13/18, "Solvency II: Equity release mortgages", which sets out additional proposals in relation to the use of lifetime mortgages to back annuity liabilities.

The Group continues to work constructively with the PRA as part of the ongoing CP13/18 consultation. The PRA has stated that the process will close on 30 September 2018 with a view to implementation for the 31 December 2018 year end.

Whilst the outcome of the consultation remains uncertain, CP13/18 contains proposals which if implemented as outlined, could result in a material reduction in our capital position.

The parameters set out in CP13/18 are broad and the potential impact on the Group's regulatory capital position could vary materially depending on what the precise outcome is for a number of elements of the consultation. The time period over which the proposals will be phased in is particularly important, as would be the interpretation applied to key uncertainties such as the effect on the solvency capital requirement and any mitigating actions the Company might take. Along with other insurers holding lifetime mortgages the Group has been asked by the PRA to model a broad range of scenarios.

The Group has already adjusted its Retirement Income and LTM terms to mitigate the regulatory capital impact on new business resulting from the rules contained in the PRA Supervisory Statement 3/17, "Solvency II: Matching adjustment - illiquid unrated assets and equity release mortgages". Based on its current understanding, the Group believes that new business is likely to continue to achieve attractive returns on capital after further adjustments that may be required by the implementation of CP13/18.

The Board has, however, been prudently considering a range of options for the business in case the consultation has a detrimental impact on the Group's regulatory capital position. The Board will ensure that we make the best use of the capital we already have and this would include carefully considering the volume of new business that we write. The Group is also actively reviewing a number of potential options to reinsure a part of the in-force book, which could reduce the capital needed by the Group. So far there has been good interest in this process from a range of counterparties. The Group also has the flexibility for further issuance of Tier 2 debt or the potential to issue Restricted Tier 1. The Board will consider the optimal capital mix and would only issue equity to the extent it is considered necessary.

The extent to which the Group may undertake any of the strategic and financing options under consideration will, of course, depend on the outcome of the CP13/18 consultation process, the impact it has on the Group and the Board's assessment of what is in the best interests of the Group's shareholders.

The Group's Solvency Capital Requirement ("SCR") coverage ratio at 30 June 2018 was 150%, and after allowance for notional TMTF recalculation was 142% (31 December 2017: 139%). The change during the period reflects the benefit of the £230m Tier 3 capital raised in February 2018, together with the impact on capital of the high volumes of new business written in the period using the stronger SS3/17 basis. Our £200m revolving credit facility remains undrawn and available to support our business. Our Insurer Financial Strength rating of A+ was re-affirmed by Fitch in July 2018.

Given the uncertainty surrounding the potential outcomes from CP13/18, the Board felt it appropriate to defer any dividend declaration until we have greater clarity on our capital position.

LIFETIME MORTGAGES

CP13/18 is for us primarily a back book issue and we believe we have a robust mortgage book that is performing well economically. Additionally we are already making significant allowances for mortgage risk within our balance sheet. We manage the risks in our Lifetime Mortgage book actively, particularly the risks presented by the No Negative Equity Guarantee ("NNEG") that is part of each mortgage contract. Controls include low loan to value ("LTV") ratios, geographic diversification and underwriting controls on the collateral properties. Our average LTV across all portfolios is 31%. The management of these risks has resulted in very low levels of NNEG shortfalls up to this point and we expect to have very low shortfalls in the future. In the Just Retirement Limited portfolio, which accounts for over 75% of our LTMs, there have been only 13 NNEG shortfalls since we started writing these products 13 years ago.

Our Solvency II balance sheet already contains significant allowances for mortgage risk. The allowance for mortgage risk included is equivalent to a 28% immediate house price fall together with 0% house price growth thereafter. This is equivalent to a 1.7% fall in house prices every year for the remainder of the life of our mortgage book. Even when this extreme scenario is modelled it takes a very long time for any meaningful shortfalls to emerge. The cumulative NNEG shortfalls in the Just Retirement Limited portfolio after ten years would be just £69m from total expected redemptions of £2.5bn. We would have nonetheless achieved a yield of approximately 4.3% on those loans with a shortfall and a yield of above 5.0% after expenses on the total redemptions over the 10 years. CP13/18 seeks to strengthen these assumptions. We believe that the additional prudence which CP13/18 could require is disproportionate to our actual NNEG risk.

OUTLOOK

We remain confident of the outlook for each of our key markets. Our strategy of focusing on attractive growth segments is working and its value is demonstrated in the growth in both volumes and operating profits achieved in this reporting period. Our vibrant brand is supported by our award winning service offering and by products that are truly helping people to achieve a better later life.

Looking ahead, the strength of the first half means that we are in a position to price even more selectively over the full year. We remain comfortable with full year expectations, albeit with moderated volume in the second half and higher margins than previously expected. However, the outlook is undoubtedly made uncertain by the wide range of possible outcomes of CP13/18 and the Board is focused on attaining clarity as soon as possible.

RODNEY COOK

Group Chief Executive Officer

Business Review

The Business Review presents the results of the Group for the period ended 30 June 2018, including IFRS, Solvency II, Economic capital and European embedded value information.

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

KEY PERFORMANCE INDICATORS

The Board has adopted the following metrics, which are considered to give an understanding of the Group’s underlying performance drivers. These measures are referred to as key performance indicators (“KPIs”). The Board regularly reviews the KPIs against our strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress.

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Change %
New business sales	1,516.8	975.0	56
New business operating profit	120.6	64.0	88
In-force operating profit	35.3	36.6	(4)
Adjusted operating profit	124.4	67.2	85
IFRS profit before tax	45.7	66.0	(31)

	30 June 2018 £m	31 December 2017 £m	Change %
IFRS net assets	1,768.3	1,740.5	2
European embedded value	2,159.8	2,142.5	1
Solvency II capital coverage ratio ¹	142%	139%	2
Economic capital coverage ratio	256%	238%	8

1 This figure allows for a notional recalculation of TMTP as at 30 June 2018. The Group’s regulatory solvency coverage ratio as at 30 June 2018 was 150%.

The Group’s KPIs are discussed in more detail in the following pages.

ADJUSTED OPERATING PROFIT (KPI)

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Change %
New business operating profit	120.6	64.0	88
In-force operating profit	35.3	36.6	(4)
Underlying operating profit	155.9	100.6	55
Operating experience and assumption changes	3.8	(6.1)	n/a
Other Group companies' operating results	(6.9)	(7.1)	(3)
Development expenditure	(4.9)	(0.7)	n/a
Reinsurance and finance costs	(23.5)	(19.5)	21
Adjusted operating profit before tax¹	124.4	67.2	85

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

Adjusted operating profit before tax (KPI)

The 85% increase in adjusted operating profit before tax from £67.2m for the six months ended 30 June 2017, to £124.4m for the six months to 30 June 2018, is driven by new business written during the period, which has seen growth in both volume and margin compared to the prior period.

New business operating profit (KPI)

New business operating profit has increased by 88%, from £64.0m for the six months ended 30 June 2017 to £120.6m for the six months ended 30 June 2018. This is due to an increase in both sales and margins. Retirement Income sales increased by 64% compared to the prior period, from £719.6m for the six months ended 30 June 2017, to £1,179.4m for the six months ended 30 June 2018, and the overall margin achieved for the period was 10.2% (six months ended 30 June 2017: margin of 8.9%). The Group continues to focus on margin and pricing discipline.

In-force operating profit (KPI)

In-force operating profit has reduced slightly compared to the comparative period, due to changes in the mix of the Group's surplus assets, and a reduction in investment margins.

Underlying operating profit

The increase in underlying operating profit is due to the movements in new business operating profit and in-force operating profit as explained above.

Operating experience and assumption changes

Operating experience variances and assumption changes for the period were positive £3.8m (six months ended 30 June 2017: negative £6.1m). The positive operating experience variances mainly arose in relation to Retirement Income mortality, partly offset by mortgage mortality and early redemption experience. A full basis review will be completed at the 2018 financial year end, as usual. This will include a review of long-term assumptions for GIfL and DB customer longevity, loans secured by residential mortgages and expenses. Sensitivities to the key long-term assumptions were disclosed in notes 16 and 22 of the Just Group plc Annual Report and Accounts 2017.

Other Group companies' operating results

The operating result for other Group companies was a loss of £6.9m for the six months to 30 June 2018 compared to a loss of £7.1m for the six months to 30 June 2017. During the prior year the Group's corporate solutions and regulated financial advice businesses were brought together as HUB Financial Solutions, which is improving efficiency.

Development expenditure

Development expenditure mainly relates to product development and new initiatives, including the development of the businesses trading under the HUB brand.

Reinsurance and finance costs

The increase in reinsurance and finance costs for the period is mainly due to the inclusion of interest costs relating to the £230m Tier 3 debt issued in February 2018.

NEW BUSINESS SALES (KPI)

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Change %
Defined Benefit De-risking Solutions ("DB")	718.1	295.6	143
Guaranteed Income for Life Solutions ("GifL")	426.5	389.9	9
Care Plans ("CP")	34.8	34.1	2
Retirement Income sales	1,179.4	719.6	64
Drawdown	23.9	22.4	7
Total Retirement sales	1,203.3	742.0	62
Protection	0.8	2.8	(71)
Lifetime Mortgage ("LTM") loans advanced	312.7	230.2	36
Total new business sales	1,516.8	975.0	56

Retirement Income sales and total new business sales have both increased significantly for the six months ended 30 June 2018 compared to the six months ended 30 June 2017. Retirement Income sales increased by 64%, from £719.6m for the six months ended 30 June 2017, to £1,179.4m for the six months ended 30 June 2018, and total new business sales increased by 56%, from £975.0m for the six months 30 June 2017, to £1,516.8m for the six months ended 30 June 2018. The main reasons for these increases are explained below.

DB sales were £718.1m for the six months ended 30 June 2018 (six months ended 30 June 2017: £295.6m), an increase of 143%. This year we have seen an acceleration in the market as employee benefit consultants have managed the industry pipeline, reducing seasonality.

GifL sales increased by 9% to £426.5m for the six months ended 30 June 2018, compared to £389.9m for the six months ended 30 June 2017. In March 2018 the FCA introduced new rules requiring pension companies to show the best quote from the market in order to stimulate shopping around, and the GifL outlook remains positive for the Group.

Care Plan sales for the six months ended 30 June 2018 were £34.8m, up slightly from prior period sales of £34.1m.

Drawdown sales were £23.9m for the six months ended 30 June 2018 (six months ended 30 June 2017: £22.4m) and mainly represent Flexible Pension Plan ("FPP") sales. The FPP allows consumers to take advantage of Pensions Freedoms and this product continues to grow in popularity. Our Protection product was closed to new business during the last quarter of 2017; the sales of £0.8m for the six months to 30 June 2018 related to the completion of pipeline applications.

Lifetime mortgage advances were £312.7m for the six months ended 30 June 2018 (six months ended 30 June 2017: £230.2m), an increase of 36%. This growth is below our Retirement Income sales growth, demonstrating our active approach to asset liability matching.

ADJUSTED EARNINGS PER SHARE (KPI)

Adjusted EPS (based on adjusted operating profit after attributed tax) shows an 85% increase compared to the comparative figure, reflecting the increase in operating profit described above.

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence
Adjusted	100.8	932.5	10.81	54.3	930.6	5.83

CAPITAL MANAGEMENT

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

Just Group plc estimated Solvency II capital position (KPI)

The Solvency II regime came into effect on 1 January 2016. The Group has approval to apply the matching adjustment (“MA”), volatility adjustment (“VA”) and transitional measures for technical provisions (“TMTP”) in its calculation of technical provisions and uses a combination of an internal model and the standard formula to calculate its Group Solvency Capital Requirement (“SCR”).

The Group’s Solvency II position was as follows:

Unreviewed	30 June 2018 ¹ £m	31 December 2017 ² £m
Capital resources		
Own funds	2,271	2,135
Solvency Capital Requirement	(1,600)	(1,539)
Excess own funds	671	596
Solvency coverage ratio	142%	139%

1 These figures allow for a notional recalculation of TMTP as at 30 June 2018.

2 Just Group plc Solvency and Financial Condition Report published June 2018.

The Group’s solvency coverage ratio has been strengthened due to the £230m Tier 3 capital issued in February 2018, offset by the capital strain arising from the strong new business volumes written during the period, and by economic and investment fluctuations, dividends and interest payments.

The June 2018 solvency coverage ratio includes six months’ amortisation of TMTP and includes the impact of a notional TMTP recalculation as at 30 June 2018. The impact of this recalculation is a reduction in the Group solvency ratio of 8% from 150% to 142%.

The PRA has issued CP13/18 in order to open a further consultation around lifetime mortgages being held to back annuity liabilities. The consultation with the industry will close on 30 September 2018, and the conclusion from the PRA will be available in time for a 31 December 2018 implementation and phase-in period. The June 2018 Group’s solvency results do not allow for any potential changes arising from CP13/18.

The table below analyses the movement in excess own funds, in the 6 months to 30 June 2018.

Movement in excess capital resources¹

Unreviewed	£m
Excess own funds at 31 December 2017	596
Tier 3 debt issuance	230
In-force surplus (including impact of TMTP amortisation)	61
New business strain	(95)
Overrun and other expenses	(19)
Dividends and interest	(41)
Other, including economic and investment fluctuations ²	(61)
Excess own funds at 30 June 2018²	671

1 All figures are net of tax.

2 These figures allow for a notional recalculation of TMTP as at 30 June 2018.

Estimated Group Solvency II sensitivities

Unreviewed	%	£m
Solvency coverage ratio/excess own funds at 30 June 2018 ¹	142	671
-50 bps fall in interest rates (no TMTP recalculation)	(17)	(229)
-50 bps fall in interest rates (with TMTP recalculation)	(5)	(30)
+100 bps credit spreads	(3)	(43)
+10% LTM early redemption	1	(3)
-10% property values	(15)	(204)
-5% mortality	(15)	(225)

1 This figure allows for a notional recalculation of TMTP as at 30 June 2018.

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

Unreviewed	30 June 2018 ¹ £m	31 December 2017 £m
Shareholders' net equity on IFRS basis	1,768	1,741
Goodwill	(33)	(33)
Intangibles	(149)	(160)
Liability valuation differences	(875)	(902)
Solvency II risk margin	(833)	(902)
Solvency II TMTP	1,791	2,049
Admissibility of sub-debt	579	351
Increase in deferred tax liability	29	(4)
Group adjustments	(6)	(5)
Solvency II own funds	2,271	2,135
Solvency II SCR	(1,600)	(1,539)
Solvency II excess own funds	671	596

1 These figures allow for a notional recalculation of TMTP as at 30 June 2018.

Summary of Just Group plc economic capital position (KPI)

The table below shows the Group's economic capital position as at 30 June 2018. The capital coverage ratio at 30 June 2018 remains strong at 256% (31 December 2017: 238%). The increase in economic capital mainly reflects the benefit of the £230m Tier 3 debt raised in February.

Unreviewed	30 June 2018 £m	31 December 2017 £m
Available capital	3,084	2,835
Required capital	(1,207)	(1,191)
Surplus Economic capital	1,877	1,644
Capital Solvency ratio	256%	238%

EUROPEAN EMBEDDED VALUE ("EEV") (KPI)

The Embedded Value result for Just Group plc for the six months ended 30 June 2018 is summarised in the table below. EEV reporting is not a statutory requirement, but supplementary disclosure intended to facilitate users' understanding of the Group.

Operating EEV earnings of £106.5m mainly relate to £109.9m from new business written in the period and a positive contribution of £27.6m from in-force business, offset by interest costs and operating experience variances. Non-operating earnings mainly relate to economic variances. The Group paid a dividend of £23.8m in the period representing the final 2017 dividend.

Statement of change in European embedded value

Unreviewed	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Opening Group EEV	2,142.5	2,047.0
Operating EEV earnings	106.5	58.3
Non-operating EEV earnings	(68.9)	(19.3)
Total EEV earnings	37.6	39.0
Other movements in IFRS net equity	3.5	1.2
Dividend	(23.8)	(22.3)
Closing Group EEV	2,159.8	2,064.9

Reconciliation of IFRS shareholders' net equity to EEV

Unreviewed	30 June 2018 £m	31 December 2017 £m
Shareholders' net equity on IFRS basis	1,768.3	1,740.5
Goodwill	(33.1)	(33.1)
Intangibles	(148.8)	(160.4)
Adjustments to IFRS	20.5	20.3
EEV net worth	1,606.9	1,567.3
Value of in-force business	552.9	575.2
Group EEV	2,159.8	2,142.5

IFRS RESULTS

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Adjusted operating profit before tax	124.4	67.2
Non-recurring and project expenditure	(7.6)	(3.4)
Investment and economic (losses)/profits	(58.7)	31.0
Acquisition integration costs	–	(16.4)
Amortisation	(12.4)	(12.4)
IFRS profit before tax (KPI)	45.7	66.0

Adjusted operating profit before tax

The underlying trends in components adjusted operating profit are explained above.

Non-recurring and project expenditure

Non-recurring and project expenditure increased from £3.4m for the period ended 30 June 2017 to £7.6m for the period ended 30 June 2018 and relates to a number of projects across the Group including migration of IT systems, ensuring the Group's readiness for the requirements of the new General Data Protection Regulation ("GDPR") rules and preparations for the new Insurance Contracts accounting standard, IFRS 17.

Investment and economic losses/profits

Investment and economic losses were £58.7m (period ended 30 June 2017: profits of £31.0m), mainly reflecting the impact of an increase in risk-free rates, and a widening of credit spreads. The Group's hedging arrangements are designed to more closely hedge the Solvency II balance sheet and the IFRS balance sheet retains some exposure to movements in risk-free rates. There were no corporate bond defaults within our portfolio during the period. The period to 30 June 2017 benefited from a narrowing of credit spreads.

Acquisition integration costs

Merger activity was substantially completed by 31 December 2017.

Amortisation

Amortisation mainly relates to the acquired in-force business asset relating to Partnership Assurance Group plc of £142.7m, which is being amortised over 10 years in line with the expected run-off of the in-force business, with an amortisation charge of £7.1m for the period (period ended 30 June 2017: £7.1m).

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.

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Gross premiums written	1,181.2	721.5
Reinsurance premiums ceded	(6.5)	(6.2)
Reinsurance recapture	379.4	270.5
Net premium revenue	1,554.1	985.8
Net investment income	(104.5)	229.2
Fee and commission income	3.2	5.4
Total revenue	1,452.8	1,220.4
Net claims paid	(353.9)	(311.6)
Change in insurance liabilities	(790.7)	(594.7)
Change in investment contract liabilities	(1.3)	(2.1)
Acquisition costs	(27.3)	(22.3)
Other operating expenses	(128.8)	(120.7)
Finance costs	(105.1)	(103.0)
Total claims and expenses	(1,407.1)	(1,154.4)
Profit before tax	45.7	66.0
Income tax	2.4	(7.4)
Profit after tax	48.1	58.6

Gross premiums written

Gross premiums written for the period ended 30 June 2018 were 64% higher at £1,181.2m (period ended 30 June 2017: £721.5m). The increase between the two periods has been driven by the 143% increase in DB sales and 9% increase in GIFL sales.

Net premium revenue

Net premium revenue increased 58% from £985.8m for the period ended 30 June 2017, to £1,554.1m for the period ended 30 June 2018, including the impact of the reinsurance recaptures made during the period, partly offset by reinsurance premiums ceded.

Net investment income

Net investment income decreased from a surplus of £229.2m for the period ended 30 June 2017, to an expense of £104.5m for the period ended 30 June 2018. The main components of investment income are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. Increases in risk-free rates and widening credit spreads have given rise to unrealised losses on the Group's corporate bond and mortgage portfolios during the current period. There were no corporate bond defaults during the period.

Net claims paid

Net claims paid increased by £42.3m, from £311.6m for the period ended 30 June 2017 to £353.9m for the period ended 30 June 2018, reflecting the growth of the in-force book.

Change in insurance liabilities

Change in insurance liabilities was £790.7m for the current period, compared to £594.7m for the period ended 30 June 2017. The change for the period reflects the growth in insurance liabilities as well as the impact of reinsurance recaptures as noted above.

Acquisition costs

Acquisition costs have increased by £5.0m from £22.3m for the period ended 30 June 2017 to £27.3m for the period ended 30 June 2018 mainly reflecting the larger volumes of new business written during the period.

Other operating expenses

Other operating expenses increased by £8.1m from £120.7m for the period ended 30 June 2017 to £128.8m for the period ended 30 June 2018, mainly as a result of increases in development and other project-related expenditure, higher variable costs, offset by lower integration costs.

Finance costs

Finance costs increased by £2.1m from £103.0m for the period ended 30 June 2017 to £105.1m for the period ended 30 June 2018. The current period includes interest on the Just Group plc Tier 3 subordinated debt, issued in February 2018.

Income tax

Income tax for the period ended 30 June 2018 was a credit of £2.4m (period ended 30 June 2017: income tax charge of £7.4m), with an effective tax rate of (5.25)% (period ended 30 June 2017: effective tax rate of 11.2%). The tax credit and effective tax rate for the current year has been driven by one-off adjustments relating to tax paid in prior periods. Without these one-off adjustments the effective tax rate for the current period would have been 22.3%.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	30 June 2018 £m	31 December 2017 £m
Assets		
Financial investments	19,050.3	18,287.1
Reinsurance assets	4,638.3	5,285.3
Other assets	433.7	592.5
Total assets	24,122.3	24,164.9
Share capital and share premium	188.3	188.0
Other reserves	881.1	881.1
Accumulated profit and other adjustments	698.9	671.4
Total equity	1,768.3	1,740.5
Liabilities		
Insurance liabilities	16,774.8	16,633.0
Other financial liabilities	4,381.8	5,045.4
Insurance and other payables	331.3	85.5
Other liabilities	866.1	660.5
Total liabilities	22,354.0	22,424.4
Total equity and liabilities	24,122.3	24,164.9

Financial investments

During the six months, financial investments increased by £0.8bn from £18.3bn at 31 December 2017 to £19.1bn at 30 June 2018. The increase is mainly a result of investing the Group's new business premiums into corporate bonds, gilts, loans secured by mortgages, and other fixed income investments. The credit quality of the corporate bond portfolio improved slightly during the period, with 62% of the Group's corporate bond and gilts portfolio rated A or above (31 December 2017: 61%) and it is well balanced across a range of industry sectors. The loan-to-value ratio of the mortgage portfolio at 30 June 2018 was 31% (31 December 2017: 29%), and the percentage of lifetime mortgages reduced from 37.4% to 36.5% of financial investments.

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

	30 June 2018 £m	30 June 2018 %	31 December 2017 £m	31 December 2017 %
AAA ¹	1,927.8	10.1	1,751.1	9.6
AA and gilts	1,890.6	9.9	1,523.0	8.3
A	3,209.3	16.9	3,397.2	18.6
BBB	3,937.9	20.7	3,944.8	21.6
BB or below	198.7	1.0	151.0	0.8
Unrated	926.5	4.9	686.7	3.7
Lifetime mortgages	6,959.5	36.5	6,833.3	37.4
Total	19,050.3	100.0	18,287.1	100.0

1 Includes units held in liquidity funds.

The sector analysis of the Group's financial investments portfolio at 30 June 2018 is shown below and continues to be well balanced across a variety of industry sectors.

	30 June 2018 £m	30 June 2018 %	31 December 2017 £m	31 December 2017 %
Basic materials	257.9	1.4	256.8	1.4
Communications	801.6	4.2	817.3	4.5
Auto manufacturers	317.1	1.7	291.9	1.6
Consumer	854.5	4.5	846.3	4.6
Energy	367.3	1.9	290.3	1.6
Banks	1,993.9	10.5	2,227.3	12.2
Insurance	744.8	3.9	819.3	4.5
Financial – other	1,167.5	6.1	633.4	3.5
Government	1,501.8	7.9	1,264.9	6.9
Industrial	596.8	3.1	632.0	3.4
Utilities	1,442.3	7.6	1,429.6	7.8
Liquidity funds	974.8	5.1	897.9	4.9
Lifetime mortgages	6,959.5	36.5	6,833.3	37.4
Commercial mortgages	296.3	1.6	215.4	1.2
Infrastructure loans	561.6	2.9	513.7	2.8
Other	212.6	1.1	317.7	1.7
Total	19,050.3	100.0	18,287.1	100.0

Reinsurance assets

Reinsurance assets decreased from £5.3bn at 31 December 2017 to £4.6bn at 30 June 2018. The decrease relates to the receipt of reinsurers' share of claims paid during the period and to reinsurance recaptures. The Group has increased its use of reinsurance swaps rather than quota share treaties following the introduction of Solvency II.

Other assets

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

Insurance liabilities

Insurance liabilities increased from £16.6bn at 31 December 2017 to £16.8bn at 30 June 2018. The increase in liabilities arose as a result of new insurance business written less claims paid, partially offset by the effect of rising long-term interest rates.

Other financial liabilities

Other financial liabilities decreased from £5.0bn at 31 December 2017 to £4.4bn at 30 June 2018. These liabilities are mainly reinsurance-related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances. The change in the financial liability mainly reflects reinsurance recaptures in the period.

Insurance and other payables

Insurance and other payables increased by £245.8m from £85.5m at 31 December 2017 to £331.3m at 30 June 2018. This change was mainly due to the timing of settlement of investment transactions which have been settled after the period end.

Other liabilities

Other liability balances increased by £205.6m from £660.5m at 31 December 2017 to £866.1m at 30 June 2018. The overall increase in the period is due to the £230m Tier 3 subordinated debt issued by the Group in February 2018.

IFRS net assets (KPI)

The Group's total equity at 30 June 2018 was £1,768.3m, £27.8m higher than at 31 December 2017. The growth in net assets mainly reflects the IFRS profit after tax of £48.1m for the period less the 2017 final dividend, which was paid in May 2018.

DIVIDENDS

Given the uncertainty surrounding the potential outcomes from CP13/18, the Board felt it appropriate to defer any dividend declaration until we have greater clarity on our capital position.

SIMON THOMAS

Group Chief Financial Officer

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

Risk evaluation and reporting

We evaluate our risks and decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces reports to provide assurance that material risks in the business are being appropriately mitigated. The Risk function, led by the Group Chief Risk Officer (“GCRO”), challenges the management team on the effectiveness of its risk evaluation and mitigation. The GCRO provides the Group 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 capital risk appetite. This modelling is aligned to both our economic capital and regulatory capital metrics. This modelling allows the Board to understand both the risks included in the Solvency Capital Requirement (“SCR”) and those not included in the SCR, such as liquidity and strategic risks, and how they translate into economic and regulatory capital needs. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

Own Risk and Solvency Assessment

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

Principal Risks and Uncertainties

Description and impact	Mitigation and management action
Risks from our chosen market environment	
Strategic objective* 1 2 3 4 5	
Change in the period – No change	Risk outlook – Stable
<p>The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital.</p> <p>The Group has developed propositions to enable customers to have more flexible retirement solutions. Customers' need for a secure income in retirement continues and the Group expects that demand for guaranteed income for life solutions will continue.</p> <p>The equity release market continues to grow due to consumer demand. The market has been dominated by a limited number of specialist providers but new entrants, along with new product launches, have emerged and, despite the market growth, the intensity of competition has increased. The equity release asset class provides a good duration match for the Group's longer duration DB de-risking and GfL liabilities, where suitable longer duration corporate or government bonds or other appropriate assets are scarce.</p>	<p>Our approach to legislative change is to participate actively and engage with policymakers, and this will not change.</p> <p>The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials and financial strength.</p> <p>The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.</p> <p>Work continues to improve the customer appeal of the Group's equity release products, and explore new product variants and distribution propositions.</p>

Risks from our pricing assumptions

Strategic objective* 1 2 **3** 4 5

Change in the period – No change

Writing long-term DB de-risking, GfL and equity release business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches.

The Group's assumptions on these risk factors may differ materially from experience, requiring them to be recalibrated. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.

Risk outlook – Increasing

To manage the risk of our longevity assumptions being incorrect, the Group has the benefit of extensive underwritten mortality data to provide insights and enhanced understanding of the longevity risks that the Group chooses to take.

Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products.

Some longevity risk exposure is shared with reinsurance partners, who perform due diligence on the Group's approach to risk selection. There is a related counterparty risk of a reinsurer not meeting its repayment obligations. This risk is typically mitigated through the reinsurer depositing the reinsurance premiums back to the Group or into third party trusts and by collateral arrangements.

For equity release, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-property value ratio, supported by product design features, limiting specific property types or regions, and monitoring of the exposure to adverse house price movements.

Risks from regulatory changes

Strategic objective* 1 2 3 4 5

Change in the period – No change

The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. This reflects in part an increasing concern about the ability of insurers to continue to be able to meet policyholder obligations in almost all circumstances. The regulatory agenda for the coming year covers many areas directly relevant to the Group.

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

The latest consultation is CP13/18, which proposes to limit the amount of matching adjustment available from lifetime mortgages (originated both before and after the introduction of Solvency II) which would result in increased policyholder liabilities on a regulatory basis. The consultation also proposes to significantly reduce the amount of transitional relief available to firms by applying the same principles to the valuation rates of interest used to calculate policyholder liabilities under Solvency 1 for policies written prior to 31 December 2015. If implemented as written, the resulting regulation would result in the Group having to take several actions to restore the regulatory capital position as explained in the Group Chief Executive Officer's review. These actions could have a negative impact on the shareholder value of the company.

The Financial Conduct Authority ("FCA") is developing a strategy to address the challenges of financial services for the ageing UK population and is pursuing reviews and initiatives pertinent to the retirement and mortgage markets.

The EU General Data Protection Regulation ("GDPR") came into effect on 25 May 2018. Whilst the principles of GDPR are similar to those of the UK Data Protection Act 1998 ("DPA"), its requirements are more prescriptive and the rights of consumers are clearer and easier to enforce.

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

Risk outlook – Increasing

We monitor and assess regulatory developments on an on-going basis and engage fully with the regulators. Our aims are to implement any required changes effectively, and to deliver better outcomes for our customers and competitive advantage for the business.

Just has an approved partial internal model to calculate a Group Solvency Capital Requirement, and intends to progress an internal model major change application for Partnership Life Assurance Company Limited to use the Group internal model. We continue to engage with the PRA to understand and seek to influence its developing views on prudential regulation. The Group, together with industry bodies, is working constructively with the PRA as part of the consultation on CP13/18.

We actively seek to participate in all regulatory initiatives which may affect or provide future opportunities for the Group. We aim to champion outcomes that are positive for consumers by ensuring their retirement needs are understood. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations.

The Group has implemented a major project to ensure that it is materially compliant with GDPR.

Risks from the economic environment

Strategic objective* 1 2 3 4 5

Change in the period – No change

The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. An adverse economic environment could increase the risk of credit downgrades and defaults in our corporate bond portfolio.

The lack of clarity regarding the UK's future trading arrangements with the EU has introduced material uncertainty for the UK's macro-economic outlook in the medium and long-term. It is too early to be clear on the long-term implications of departure from the EU for the UK economy and indeed the wider economic impacts on the rest of Europe. Market conditions may become more volatile.

In an environment of low interest rates, investors may be more willing to accept higher credit and liquidity risk to improve investment returns. These conditions do make it challenging to source sufficient assets to offer attractive DB de-risking and GIFL terms. Low credit spreads similarly affect the income that can be made available, although margins from our equity release portfolio help offset this risk.

Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's Defined Benefit De-risking business volumes grow, its exposure to inflation risk increases.

A fall in residential property values could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the possible shortfall in the redemption of equity release mortgages also increases if property values drop. Uncertainty following the UK's withdrawal from the EU could result in property values stagnating or falling in some, or all, UK regions. Conversely, significant future rises in property values could increase early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk.

Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives.

Risk outlook – Increasing

Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans.

It is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group as it is predominantly UK-based with no services provided into other countries of the EEA, and its customers and policyholders are predominantly UK-based. However, the Group remains exposed to any indirect impact that the UK's withdrawal has on the UK economy as a whole, including its residential housing market. Any changes to the regulatory environment as a result of the UK's withdrawal are being monitored.

The Group's strategy is to buy and hold high-quality, lower-risk assets in its investment portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is managed by specialist fund managers executing a diversified investment strategy in investment grade assets within counterparty limits.

In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors of investment assets. Such diversification creates an exposure to foreign exchange risk, which is controlled using derivative instruments. Swaps and swaptions are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements.

The Group's exposure to inflation risk through the Defined Benefit De-risking business is managed with inflation hedges.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce.

There is little short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels both short term and long term and stress tests help us understand any potential periods of strain. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.

Risks arising from operational processes and IT systems

Strategic objective* 1 2 3 4 5

Change in the period – No change

The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business as well as harm its reputation.

Large organisations continue to be targets for cyber-crime, particularly those organisations that hold customers' personal details. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.

Risk outlook – Stable

The Group maintains a suite of risk management tools to help identify, measure, monitor, manage and report its operational risks including those arising from operational processes and IT systems. These include a risk management system, risk and control assessments, risk event management, loss reporting, scenario analysis and risk reporting through the ORSA.

The Group maintains plans and controls to minimise the risk of business disruption and information security related events. Detailed incident and crisis management plans also exist to ensure effective responses. These are supported by specialist third parties for our workplace recovery centre.

Our approach to information security is under constant review as the cyber-threat landscape evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. The Group continues to invest in its information security control environment but we recognise that the speed of change in cyber-threats means that a risk exposure remains.

Risks to the Group's brands and reputation

Strategic objective* 1 2 3 4 5

Change in the period – No change

We believe everyone deserves a fair, fulfilling and secure retirement. Our aim is to help people to rethink retirement to achieve this. Our Just brand reflects the way we intend to conduct our business and treat our customer and wider stakeholder groups.

There is a risk that the Group's brands and reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. Damage to our brand or reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.

Additionally, the Group's brands and reputation could be threatened by external risks such as regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate.

Risk outlook – Stable

The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide to our customers. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. The Group maintains a system of internal control, and associated policies and operational procedures, that defines the standards we expect of all colleagues.

*Strategic objectives

- 1 Grow our markets and broaden our distribution reach
- 2 Give customers a distinctly 'Just' experience every time
- 3 Make smart risk choices
- 4 Focus on strong financial management
- 5 Diversify our business away from any single business line or market

The Group's strategic objectives are explained in more detail on pages 16 and 17 of the Just Group plc Annual Report and Accounts 2017

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 period; 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 Chief Financial Officer
5 September 2018

Independent review report to Just Group plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Material uncertainty related to going concern

We draw attention to note 1 to the condensed set of financial statements, which sets out the ongoing uncertainty in respect of the final outcome of CP13/18, together with any actions the PRA may take, which could have a materially negative effect on the regulatory capital position and financial condition, operations and prospects of the Group. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Daniel Cazeaux
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom
5 September 2018

Consolidated statement of comprehensive income for the period ended 30 June 2018

	Note	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Gross premiums written		1,181.2	721.5	1,893.4
Reinsurance premiums ceded		(6.5)	(6.2)	(17.1)
Reinsurance recapture		379.4	270.5	467.5
Net premium revenue		1,554.1	985.8	2,343.8
Net investment income		(104.5)	229.2	621.1
Fee and commission income		3.2	5.4	5.8
Total revenue		1,452.8	1,220.4	2,970.7
Gross claims paid		(581.4)	(542.1)	(1,098.8)
Reinsurers' share of claims paid		227.5	230.5	460.7
Net claims paid		(353.9)	(311.6)	(638.1)
Change in insurance liabilities:				
Gross amount		(143.7)	(174.0)	(884.7)
Reinsurers' share		(267.6)	(150.2)	(304.3)
Reinsurance recapture		(379.4)	(270.5)	(467.5)
Net change in insurance liabilities		(790.7)	(594.7)	(1,656.5)
Change in investment contract liabilities		(1.3)	(2.1)	(6.3)
Acquisition costs		(27.3)	(22.3)	(43.1)
Other operating expenses		(128.8)	(120.7)	(238.4)
Finance costs		(105.1)	(103.0)	(207.0)
Total claims and expenses		(1,407.1)	(1,154.4)	(2,789.4)
Profit before tax		45.7	66.0	181.3
Income tax	3	2.4	(7.4)	(26.2)
Profit for the period		48.1	58.6	155.1
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(0.3)	(0.2)	–
Total comprehensive income for the period		47.8	58.4	155.1
Profit attributable to:				
Equity holders of Just Group plc		48.1	58.6	155.1
Profit for the period		48.1	58.6	155.1
Total comprehensive income attributable to:				
Equity holders of Just Group plc		47.8	58.4	155.1
Total comprehensive income for the period		47.8	58.4	155.1
Basic earnings per share (pence)	4	5.16	6.30	16.68
Diluted earnings per share (pence)	4	5.09	6.25	16.54

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

for the period ended 30 June 2018

Six months ended 30 June 2018	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m
Balance at 1 January 2018		93.8	94.2	348.4	532.7	(5.0)	676.4	1,740.5
Profit for the period		–	–	–	–	–	48.1	48.1
Other comprehensive income for the period		–	–	–	–	–	(0.3)	(0.3)
Total comprehensive income for the period		–	–	–	–	–	47.8	47.8
Contributions and distributions								
Shares issued	7	–	0.3	–	–	–	–	0.3
Dividends	5	–	–	–	–	–	(23.8)	(23.8)
Share-based payments		–	–	–	–	(1.2)	4.7	3.5
Total contributions and distributions		–	0.3	–	–	(1.2)	(19.1)	(20.0)
Balance at 30 June 2018		93.8	94.5	348.4	532.7	(6.2)	705.1	1,768.3

Year ended 31 December 2017	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m
Balance at 1 January 2017		93.3	91.7	348.4	532.7	(1.6)	546.1	1,610.6
Profit for the year		–	–	–	–	–	155.1	155.1
Other comprehensive income for the year		–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	155.1	155.1
Contributions and distributions								
Shares issued	7	0.5	2.5	–	–	–	–	3.0
Dividends	5	–	–	–	–	–	(33.2)	(33.2)
Share-based payments		–	–	–	–	(3.4)	8.4	5.0
Total contributions and distributions		0.5	2.5	–	–	(3.4)	(24.8)	(25.2)
Balance at 31 December 2017		93.8	94.2	348.4	532.7	(5.0)	676.4	1,740.5

Six months ended 30 June 2017	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m
Balance at 1 January 2017		93.3	91.7	348.4	532.7	(1.6)	546.1	1,610.6
Profit for the period		–	–	–	–	–	58.6	58.6
Other comprehensive income for the period		–	–	–	–	–	(0.2)	(0.2)
Total comprehensive income for the period		–	–	–	–	–	58.4	58.4
Contributions and distributions								
Shares issued	7	0.1	1.3	–	–	–	–	1.4
Dividends	5	–	–	–	–	–	(22.3)	(22.3)
Share-based payments		–	–	–	–	(4.2)	4.2	–
Total contributions and distributions		0.1	1.3	–	–	(4.2)	(18.1)	(20.9)
Balance at 30 June 2017		93.4	93.0	348.4	532.7	(5.8)	586.4	1,648.1

1 Includes Currency translation reserve.

The notes are an integral part of these financial statements.

Consolidated statement of financial position

as at 30 June 2018

	Note	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m
Assets				
Intangible assets		181.9	193.5	204.4
Property, plant and equipment		19.4	19.6	13.5
Financial investments	6	19,050.3	18,287.1	17,490.3
Investment in joint ventures and associates		0.3	0.3	0.3
Reinsurance assets	8	4,638.3	5,285.3	5,636.4
Deferred tax assets		21.3	13.0	12.9
Current tax assets		8.4	3.7	13.9
Prepayments and accrued income		62.8	56.5	53.1
Insurance and other receivables		19.4	44.5	37.5
Cash and cash equivalents		120.2	261.4	155.0
Total assets		24,122.3	24,164.9	23,617.3
Equity				
Share capital	7	93.8	93.8	93.4
Share premium	7	94.5	94.2	93.0
Reorganisation reserve		348.4	348.4	348.4
Merger reserve	7	532.7	532.7	532.7
Shares held by trusts		(6.2)	(5.0)	(5.8)
Accumulated profit		705.1	676.4	586.4
Total equity attributable to owners of Just Group plc		1,768.3	1,740.5	1,648.1
Liabilities				
Insurance liabilities	8	16,774.8	16,633.0	15,922.0
Investment contract liabilities		208.2	220.7	214.1
Loans and borrowings	9	573.3	343.9	343.5
Other financial liabilities	10	4,381.8	5,045.4	5,355.4
Deferred tax liabilities		34.4	39.2	42.5
Other provisions		0.8	2.1	6.9
Current tax liabilities		6.1	9.2	0.8
Accruals and deferred income		43.3	45.4	25.9
Insurance and other payables		331.3	85.5	58.1
Total liabilities		22,354.0	22,424.4	21,969.2
Total equity and liabilities		24,122.3	24,164.9	23,617.3

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 5 September 2018 and were signed on its behalf by:

SIMON THOMAS
Director

Consolidated statement of cash flows for the period ended 30 June 2018

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Cash flows from operating activities			
Profit before tax	45.7	66.0	181.3
Depreciation of equipment	0.7	3.6	1.8
Loss on disposal of equipment	–	–	3.1
Amortisation of intangible assets	12.6	12.6	25.2
Share-based payments	3.5	–	5.0
Interest income	(323.4)	(284.7)	(636.4)
Interest expense	105.1	102.9	207.0
Increase in financial investments	(578.7)	(207.2)	(410.3)
Decrease in reinsurance assets	647.0	420.7	771.8
Increase in prepayments and accrued income	(6.3)	(82.8)	(3.2)
Decrease in insurance and other receivables	24.9	99.8	92.5
Increase in insurance liabilities	141.8	174.0	885.0
Decrease in investment contract liabilities	(12.5)	(8.2)	(1.6)
Decrease in deposits received from reinsurers	(589.3)	(411.0)	(675.9)
(Decrease)/increase in accruals and deferred income	(0.4)	(3.7)	11.0
Increase/(decrease) in insurance and other payables	245.8	(55.0)	(27.6)
(Decrease)/increase in other creditors	(41.4)	52.2	(22.6)
Interest received	180.3	202.3	399.0
Interest paid	(83.9)	(85.3)	(170.8)
Taxation paid	(18.5)	(43.2)	(46.8)
Net cash (outflow)/inflow from operating activities	(247.0)	(47.0)	587.5
Cash flows from investing activities			
Additions to internally generated intangible assets	(1.0)	–	(1.7)
Acquisition of property and equipment	(0.5)	–	(7.4)
Net cash outflow from investing activities	(1.5)	–	(9.1)
Cash flows from financing activities			
Increase in borrowings (net of costs)	229.0	–	–
Interest paid	(21.3)	(20.7)	(32.6)
Dividends paid	(23.8)	(22.3)	(33.2)
Issue of ordinary share capital (net of costs)	0.3	1.4	3.0
Net cash inflow/(outflow) from financing activities	184.2	(41.6)	(62.8)
Net (decrease)/increase in cash and cash equivalents	(64.3)	(88.6)	515.6
Cash and cash equivalents at start of period	1,159.3	643.7	643.7
Cash and cash equivalents at end of period	1,095.0	555.1	1,159.3
Cash available on demand	120.2	155.0	261.4
Units in liquidity funds	974.8	400.1	897.9
Cash and cash equivalents at end of period	1,095.0	555.1	1,159.3

The notes are an integral part of these financial statements.

Notes to the Condensed consolidated financial statements

1. BASIS OF PREPARATION

These Condensed interim financial statements comprise the Condensed consolidated financial statements of Just Group plc (“the Company”) and its subsidiaries, together referred to as “the Group”, as at, and for the period ended, 30 June 2018.

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 31 December 2017 have been taken from the Group’s 2017 Annual Report and Accounts, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which was approved by the Board of Directors on 14 March 2018 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 results for the six month period ended 30 June 2017 have been taken from the Group’s Interim Results for the six months to 30 June 2017.

The Directors are required to undertake an assessment of the Group and Company’s ability to continue to adopt the going concern basis of accounting, and to disclose any material uncertainties identified.

As part of the going concern assessment the Directors have considered the potential impact of CP13/18 “Solvency II: Equity release mortgages” published by the PRA in July 2018. The consultation process closes on 30 September with implementation expected for the 31 December 2018 year end. CP13/18 sets out a number of parameters in relation to the calculation of the matching adjustment including property volatility and deferment rate assumptions, and indicates that the PRA may consider a phase-in period of up to three years. The final outcome of CP13/18 and any actions the PRA may require of the Group are uncertain, and could have a materially negative effect on the regulatory capital position and financial condition, operations and prospects of the Group.

The outcome of the consultation will not be known until after 30 September 2018. In the meantime the Directors have considered the potential impact of a range of property volatility and deferment rate assumptions and phase-in periods on the Group’s regulatory capital position, business plan and liquidity forecasts, and have considered the availability and impact of a number of possible actions that the Group could pursue in response, although their feasibility may also be affected by the outcome of CP13/18.

Accordingly, although these matters indicate a material uncertainty that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern, the Directors believe that the Group and the Company will continue to have adequate financial resources to continue realising their assets and discharging their liabilities in the normal course of business and therefore that it remains appropriate to prepare the Condensed interim financial statements on a going concern basis. Therefore these Condensed interim financial statements do not include any adjustments which would be required if the going concern basis of preparation was inappropriate.

The following new accounting standards and amendments to existing accounting standards have been adopted by the Group for the first time from 1 January 2018, neither of which has resulted in a change in accounting policy, and therefore the accounting policies applied in these Condensed interim financial statements are the same as those applied in the Group’s 2017 Annual Report and Accounts.

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

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

The impact of adopting the amendments to IFRS 4 from 1 January 2018 is that additional disclosures will be required in the Group’s 2018 Annual Report and Accounts to allow comparison with entities applying IFRS 9. These disclosures are not relevant to understanding significant changes since the last annual reporting date and are therefore not presented in these Condensed interim financial statements.

- IFRS 15, Revenue from contracts with customers.

IFRS 15 specifies how and when an entity recognises revenue, providing a single, principles-based model to be applied to all contracts with customers, whilst requiring more informative and relevant disclosures. Insurance contracts, although contracts with customers, are outside the scope of IFRS 15. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group's accounting policy in respect of non-insurance contract income is to recognise when the service is rendered, and is unchanged as a result of IFRS 15. In the six month period to 30 June 2018, non-insurance contract income amounted to £3.2m.

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

2. SEGMENTAL REPORTING

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. The underlying operating profit represents a combination of both the profit generated from new business written in the period and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience where different from that assumed at the start of the period and the impacts of changes to future operating assumptions applied in the period are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in-force book of business represent the expected average rate of return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, corporate bond defaults and, with respect to lifetime mortgages, and early redemptions.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, and also excludes non-recurring and project costs since these items arise outside the normal course of business in the year.

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

Segmental analysis

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plan and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and lifetime mortgage advances.

The professional services businesses, trading under our HUB brand, are included with other corporate companies in the Other segment. These businesses are not currently sufficiently significant to separate from other companies' results and the Chief Operating Decision Maker ("CODM") does not separately consider their results at present. The Other segment also includes, outside underlying operating profit, the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

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

Segmental reporting and reconciliation to financial information

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business operating profit	120.6	–	120.6	64.0	–	64.0
In-force operating profit	33.8	1.5	35.3	36.2	0.4	36.6
Underlying operating profit	154.4	1.5	155.9	100.2	0.4	100.6
Operating experience and assumption changes	3.8	–	3.8	(6.1)	–	(6.1)
Other Group companies' operating results	–	(6.9)	(6.9)	–	(7.1)	(7.1)
Development expenditure	(3.2)	(1.7)	(4.9)	(0.3)	(0.4)	(0.7)
Reinsurance and financing costs	(22.0)	(1.5)	(23.5)	(21.6)	2.1	(19.5)
Adjusted operating profit before tax	133.0	(8.6)	124.4	72.2	(5.0)	67.2
Non-recurring and project expenditure	(2.6)	(5.0)	(7.6)	(2.6)	(0.8)	(3.4)
Investment and economic (losses)/ profits	(57.6)	(1.1)	(58.7)	30.9	0.1	31.0
Profit/(loss) before acquisition transaction and amortisation costs, before tax	72.8	(14.7)	58.1	100.5	(5.7)	94.8
Acquisition integration costs			–			(16.4)
Amortisation costs			(12.4)			(12.4)
Profit before tax			45.7			66.0

	Year ended 31 December 2017		
	Insurance £m	Other £m	Total £m
New business operating profit	169.8	–	169.8
In-force operating profit	71.0	0.3	71.3
Underlying operating profit	240.8	0.3	241.1
Operating experience and assumption changes	34.9	–	34.9
Other Group companies' operating results	–	(14.0)	(14.0)
Development expenditure	(0.3)	(1.1)	(1.4)
Reinsurance and financing costs	(43.4)	3.4	(40.0)
Adjusted operating profit before tax	232.0	(11.4)	220.6
Non-recurring and project expenditure	(10.9)	(0.7)	(11.6)
Investment and economic profits	22.6	–	22.6
Profit/(loss) before acquisition transaction and amortisation costs, before tax	243.7	(12.1)	231.6
Acquisition integration costs			(25.6)
Amortisation costs			(24.7)
Profit before tax			181.3

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £(105.1)m arose from the insurance segment and £0.6m arose from other segments (Six months ended 30 June 2017: £228.5m and £0.7m respectively / Year ended 31 December 2017: £621.0m and £0.1m respectively). Fee and commission income of £0.4m arose from the insurance segment and £2.8m arose from other segments (Six months ended 30 June 2017: £0.1m and £5.3m respectively / Year ended 31 December 2017: £1.6m and £4.2m respectively).

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's products are from one material geographical segment which is the United Kingdom. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Defined Benefit De-risking Solutions ("DB")	718.1	295.6	997.8
Guaranteed Income for Life contracts ("GIfL")	426.5	389.9	820.5
Care Plans ("CP")	34.8	34.1	71.6
Protection	1.8	1.9	3.5
Gross premiums written	1,181.2	721.5	1,893.4

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Drawdown	23.9	22.4	51.2
LTM loans advanced	312.7	230.2	510.0

Reconciliation of gross premiums written to new business sales

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Gross premiums written	1,181.2	721.5	1,893.4
Regular premiums recognised on an Annual Premium Equivalent basis in new business sales	(1.0)	0.9	2.5
Drawdown and LTM new business sales not included in gross premiums written	336.6	252.6	561.2
New business sales	1,516.8	975.0	2,457.1

3. INCOME TAX

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Current taxation			
Current year	12.1	18.0	44.2
Adjustments in respect of prior periods	(1.5)	(4.0)	(8.1)
Total current tax	10.6	14.0	36.1
Deferred taxation			
Origination and reversal of temporary differences	(13.1)	(3.5)	(7.3)
Adjustments in respect of prior periods	(0.1)	(3.0)	(2.5)
Rate change	0.2	(0.1)	(0.1)
Total deferred tax	(13.0)	(6.6)	(9.9)
Total income tax	(2.4)	7.4	26.2

The current taxation adjustment in respect of prior period of £(1.5)m relates to a tax provision of £3.3m in respect of an ongoing transfer pricing enquiry with HMRC and a credit of £(4.8)m in respect of overpayment relief.

Reconciliation of total income tax to the applicable tax rate:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Profit on ordinary activities before tax	45.7	66.0	181.3
Income tax at 19% (2017: 19.25%)	8.7	12.7	34.9
Effects of:			
Expenses not deductible for tax purposes	1.1	1.9	0.4
Rate change	0.2	(0.1)	0.4
Unrecognised deferred tax asset	0.4	–	0.5
Losses utilised	–	–	0.6
Adjustments in respect of prior periods	(1.6)	(7.0)	(10.6)
Other	(11.2)	(0.1)	–
Total income tax	(2.4)	7.4	26.2

The net income tax credit of £(2.4)m includes a tax provision for the HMRC transfer pricing enquiry of £3.3m (included in Adjustments in respect of prior periods) and a credit for overpayment relief of £(15.9)m of which £(1.1)m relates to current year current tax (included within Other items), £(4.7)m relates to overpayment relief for prior years (included in Adjustments in respect of prior periods) and £(10.1)m is recognised as a deferred tax asset (included within Other items).

4. EARNINGS PER SHARE

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

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence
Basic	48.1	932.5	5.16	58.6	930.6	6.30
Effect of dilutive potential share options	–	11.9	(0.07)	–	6.8	(0.05)
Diluted	48.1	944.4	5.09	58.6	937.4	6.25

	Year ended 31 December 2017		
	Earnings £m	Weighted average number of shares million	Earnings per share pence
Basic	155.1	930.0	16.68
Effect of dilutive potential share options	–	7.5	(0.14)
Diluted	155.1	937.5	16.54

5. DIVIDENDS

Dividends paid were as follows:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Final dividend:			
– in respect of the 18 months ended 31 December 2016 (2.4 pence per share, paid on 26 May 2017)	–	22.3	22.3
– in respect of the year ended 31 December 2017 (2.55 pence per share, paid on 25 May 2018)	23.8	–	–
Interim dividend:			
– in respect of the year ended 31 December 2017 (1.17 pence per share, paid on 24 November 2017)	–	–	10.9
Total dividends paid	23.8	22.3	33.2

6. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

	Fair value			Cost		
	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m
Units in liquidity funds	974.8	897.9	400.1	974.8	897.9	400.1
Investment funds	170.4	46.3	30.0	170.2	45.6	30.0
Debt securities and other fixed income securities	9,858.7	9,589.5	9,877.8	9,278.9	8,745.8	9,004.7
Deposits with credit institutions	194.3	87.9	106.6	194.3	87.9	106.6
Derivative financial assets	64.5	100.2	77.5	–	2.6	–
Loans secured by residential mortgages	6,959.5	6,833.3	6,519.4	4,339.1	4,127.0	4,172.4
Loans secured by commercial mortgages	296.3	215.4	187.5	293.9	211.7	183.9
Other loans	444.8	444.3	245.8	414.5	408.0	214.3
Amounts recoverable from reinsurers on investment contracts	87.0	72.3	45.6	81.9	67.6	43.2
Total	19,050.3	18,287.1	17,490.3	15,747.6	14,594.1	14,155.2

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 £187.4m (31 December 2017: £87.0m / 30 June 2017: £105.1m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

(a) Determination of fair value and fair value hierarchy

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

Level 1

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

Level 2

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

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

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

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

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

Level 3

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

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

The valuation of loans secured by mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the no-negative equity guarantee. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the "no-negative equity" guarantee, the amount recoverable by the Group on termination of mortgages is generally capped at the net sale proceeds of the property. This guarantee does not apply where the mortgage redemption is not accompanied by a sale of the underlying property. This could occur when, for example, the property is remortgaged with another provider. The time value of this option and guarantee is allowed for in the asset valuation using closed form calculations, based on a variant of the Black-Scholes option pricing formula. The formula incorporates a number of assumptions, including those for risk-free interest rates, future property growth and future property price volatility.

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

The Level 3 Other loans are infrastructure-related loans, and are valued using discounted cash flow analysis 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 30 June 2018, 31 December 2017 or 30 June 2017.

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

	30 June 2018				31 December 2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value								
Units in liquidity funds	970.3	4.5	–	974.8	894.3	3.6	–	897.9
Investment funds	–	170.4	–	170.4	–	46.3	–	46.3
Debt securities and other fixed income securities	703.7	8,389.4	765.6	9,858.7	553.5	8,295.5	740.5	9,589.5
Deposits with credit institutions	187.4	6.9	–	194.3	87.0	0.9	–	87.9
Derivative financial assets	–	64.5	–	64.5	–	100.2	–	100.2
Loans secured by residential mortgages	–	–	6,959.5	6,959.5	–	–	6,833.3	6,833.3
Loans secured by commercial mortgages	–	–	296.3	296.3	–	–	215.4	215.4
Other loans	–	11.6	433.2	444.8	–	11.0	433.3	444.3
Recoveries from reinsurers on investment contracts	–	–	87.0	87.0	–	–	72.3	72.3
Total assets held at fair value	1,861.4	8,647.3	8,541.6	19,050.3	1,534.8	8,457.5	8,294.8	18,287.1
Liabilities held at fair value								
Investment contract liabilities	–	–	208.2	208.2	–	–	220.7	220.7
Derivative financial liabilities	–	198.1	–	198.1	–	236.3	–	236.3
Obligations for repayment of cash collateral received	0.6	–	–	0.6	16.3	–	–	16.3
Deposits received from reinsurers	–	–	2,526.0	2,526.0	–	–	2,654.1	2,654.1
Total liabilities held at fair value	0.6	198.1	2,734.2	2,932.9	16.3	236.3	2,874.8	3,127.4

	30 June 2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity funds	394.0	6.1	–	400.1
Investment funds	30.0	–	–	30.0
Debt securities and other fixed income securities	567.5	9,124.0	186.3	9,877.8
Deposits with credit institutions	105.1	1.5	–	106.6
Derivative financial assets	–	77.5	–	77.5
Loans secured by residential mortgages	–	–	6,519.4	6,519.4
Loans secured by commercial mortgages	–	–	187.5	187.5
Other loans	–	7.2	238.6	245.8
Recoveries from reinsurers on investment contracts	–	–	45.6	45.6
Total assets held at fair value	1,096.6	9,216.3	7,177.4	17,490.3
Liabilities held at fair value				
Investment contract liabilities	–	–	214.1	214.1
Derivative financial liabilities	–	180.9	–	180.9
Obligations for repayment of cash collateral received	3.4	100.6	–	104.0
Deposits received from reinsurers	–	–	2,686.3	2,686.3
Total liabilities held at fair value	3.4	281.5	2,900.4	3,185.3

(c) Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the period there were no transfers between Level 1 and Level 2. The

transfer from Level 2 to Level 3 in the year ended 31 December 2017 followed a change in the availability of market prices for specific bonds.

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

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

Six months ended 30 June 2018	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of period	740.5	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)
Purchases/Advances/Deposits	49.5	312.7	83.9	6.0	28.2	(23.9)	(14.4)
Sales/Redemptions/Payments	(7.6)	(135.7)	(1.7)	–	(16.9)	37.7	216.2
Realised gains and losses recognised in profit or loss within net investment income	0.6	34.4	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	(11.7)	(217.2)	(1.5)	(6.1)	3.4	–	19.7
Interest accrued	(5.7)	132.0	0.2	–	–	–	(93.4)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(1.3)	–
At end of period	765.6	6,959.5	296.3	433.2	87.0	(208.2)	(2,526.0)

Year ended 31 December 2017	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of year	179.0	6,430.4	163.8	188.7	28.5	(222.3)	(2,741.1)
Purchases/Advances/Deposits	27.0	510.0	60.5	240.2	49.4	(51.2)	(31.1)
Transfers from Level 2	534.3	–	–	–	–	–	–
Sales/Redemptions/Payments	(11.5)	(266.9)	(7.8)	–	(8.9)	59.1	191.7
Realised gains and losses recognised in profit or loss within net investment income	0.1	132.1	(0.1)	0.4	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	11.6	(172.8)	(1.5)	4.0	3.3	–	19.7
Interest accrued	–	200.5	0.5	–	–	–	(93.3)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(6.3)	–
At end of year	740.5	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)

Six months ended 30 June 2017	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of period	179.0	6,430.4	163.8	188.7	28.5	(222.3)	(2,741.1)
Purchases/Advances/Deposits	–	230.2	26.5	50.0	20.9	(22.4)	(15.0)
Sales/Redemptions/Payments	(0.1)	(125.5)	–	–	(5.5)	32.6	115.7
Realised gains and losses recognised in profit or loss within net investment income	(0.1)	31.1	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	7.5	(168.9)	(2.9)	(0.1)	1.7	–	1.1
Interest accrued	–	122.1	0.1	–	–	–	(47.0)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(2.0)	–
At end of period	186.3	6,519.4	187.5	238.6	45.6	(214.1)	(2,686.3)

Debt securities and other fixed income securities

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

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

Redemption and defaults

The redemption and default assumptions used in the valuation of infrastructure private placement bonds are similar to the rest of the Group's bond portfolio.

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

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Debt securities and other fixed income securities Credit spreads +100bps
30 June 2018	(42.0)
31 December 2017	(44.8)
30 June 2017	(17.8)

Loans secured by residential mortgages

Principal assumptions underlying the calculation of loans secured by residential mortgages

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

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.1% for loans written by JRL and PLACL (31 December 2017: 4.2% / 30 June 2017: 4.2%).

Mortality

Mortality assumptions have been derived with reference to CMI 2016 mortality tables for both base table rates and mortality improvements. 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 and management's own experience.

Property prices

The value of a property at the date of valuation is calculated by taking the latest valuation for that property and indexing this value using the Office for National Statistics monthly index for the property's location. The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages.

Future property price growth

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made assumptions about future residential property prices based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK retail price inflation, "RPI", (consistent with the Bank of England inflation target) plus an allowance for the expectation of house price growth above RPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 4.25%, with a volatility assumption of 12% p.a. (31 December 2017: future house price growth of 4.25%, with a volatility assumption of 12% p.a.).

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.7% and 3.0% for loans written by JRL (31 December 2017: between 0.7% and 3.0% / 30 June 2017: between 0.7% and 3.8%) and between 0.9% and 2.8% for loans written by PLACL (31 December 2017: between 0.9% and 2.8% / 30 June 2017: between 1.8% and 4.5%).

Sensitivity analysis

Reasonable possible alternative assumptions for 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 fair value to changes to these inputs as follows:

	Loans secured by residential mortgages valuation assumptions				
	Maintenance expenses +10%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Voluntary redemptions +10%
Net increase/(decrease) in fair value (£m)					
30 June 2018	(7.2)	25.4	(72.1)	(65.2)	(18.8)
31 December 2017	(7.2)	30.3	(72.4)	(62.3)	(24.1)
30 June 2017	(5.8)	29.7	(74.1)	(66.4)	(25.0)

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

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

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty.

Loans secured by commercial mortgages

Principal assumption underlying the calculation of loans secured by commercial mortgages

The discount rate is the most significant assumption applied in calculating the fair value of the loans secured by commercial mortgages. The discount rate used is 1.3% (31 December 2017: 0.9% / 30 June 2017: 1.0%) plus a

spread % of between 1.3% and 2.8% (31 December 2017: between 1.3% and 2.8% / 30 June 2017: between 1.3% and 2.8%) depending on the individual loan.

Sensitivity analysis

Reasonable possible alternative assumptions for 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 fair value to changes to these inputs as follows.

Net increase/(decrease) in fair value (£m)	Loans secured by commercial mortgages valuation assumptions
	Interest rates +100bps
30 June 2018	(15.0)
31 December 2017	(11.1)
30 June 2017	(10.4)

Other loans

Other loans classified as Level 3 are infrastructure loans.

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

Redemption and defaults

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

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of infrastructure loans to the default assumption is determined by reference to the movement in credit spreads.

The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Other loans
	Credit spreads +100bps
30 June 2018	(41.1)
31 December 2017	(37.1)
30 June 2017	(25.1)

Recoveries from reinsurers on investment contracts

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

Principal assumptions and sensitivity of fair value

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

Investment contract liabilities

Principal assumptions underlying the calculation of investment contract liabilities

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.4% (31 December 2017: 4.4% / 30 June 2017: 4.4%).

Sensitivity analysis

The sensitivity of fair value to changes in maintenance expense assumptions in respect of investment contract liabilities is not material.

Deposits received from reinsurers

Principal assumptions underlying the calculation of deposits received from reinsurers

Discount rate

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for Individual retirement and Individual care plans were 3.40% and 0.95% respectively (31 December 2017: 3.11% and 0.95% respectively / 30 June 2017: 3.22% and 1.05% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread applied by the individual reinsurer. A credit spread of 113bps (31 December 2017: 102bps / 30 June 2017: 133bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the liabilities. The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Deposits received from reinsurers	
	Credit spreads +100bps	Interest rates +100bps
30 June 2018	(85.0)	(199.7)
31 December 2017	(88.5)	(217.1)
30 June 2017	(103.2)	(212.4)

7. SHARE CAPITAL

The allotted and issued ordinary share capital of Just Group plc at 31 December 2017 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2018	938,308,340	93.8	94.2	532.7	720.7
In respect of employee share schemes	252,560	–	0.3	–	0.3
At 30 June 2018	938,560,900	93.8	94.5	532.7	721.0
At 1 January 2017	932,884,033	93.3	91.7	532.7	717.7
In respect of employee share schemes	5,424,307	0.5	2.5	–	3.0
At 31 December 2017	938,308,340	93.8	94.2	532.7	720.7
At 1 January 2017	932,884,033	93.3	91.7	532.7	717.7
In respect of employee share schemes	1,140,779	0.1	1.3	–	1.4
At 30 June 2017	934,024,812	93.4	93.0	532.7	719.1

A merger reserve has been recognised in 2016 on the acquisition of 100% of the equity shares of Partnership Assurance Group plc, representing the difference between the nominal value of the new shares issued in the Company as consideration, and the net assets of Partnership Assurance Group plc acquired.

8. INSURANCE CONTRACTS AND RELATED REINSURANCE

The following movements have occurred in the insurance contract balances for Retirement Income products during the period.

	Six months ended 30 June 2018			Year ended 31 December 2017		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
At start of period	16,633.0	(5,285.3)	11,347.7	15,748.0	(6,057.1)	9,690.9
Increase in liability from premiums	951.4	(2.3)	949.1	1,526.5	(25.1)	1,501.4
Release of liability due to recorded claims	(613.7)	229.4	(384.3)	(1,133.6)	457.6	(676.0)
Unwinding of discount	264.7	(78.0)	186.7	503.2	(180.2)	323.0
Changes in economic assumptions	(459.7)	124.0	(335.7)	210.7	(43.6)	167.1
Changes in non-economic assumptions	–	–	–	(193.8)	79.2	(114.6)
Other movements*	(0.9)	373.9	373.0	(28.0)	483.9	455.9
At end of period	16,774.8	(4,638.3)	12,136.5	16,633.0	(5,285.3)	11,347.7

Six months ended 30 June 2017

	Gross £m	Reinsurance £m	Net £m
At start of period	15,748.0	(6,057.1)	9,690.9
Increase in liability from premiums	588.1	(13.9)	574.2
Release of liability due to recorded claims	(561.7)	229.1	(332.6)
Unwinding of discount	247.0	(90.4)	156.6
Changes in economic assumptions	(95.6)	30.3	(65.3)
Changes in non-economic assumptions	(0.2)	–	(0.2)
Other movements*	(3.6)	265.6	262.0
At end of period	15,922.0	(5,636.4)	10,285.6

* Includes the impact of reinsurance recapture

Effect of changes in assumptions and estimates during the period

Economic assumption changes

The principal economic assumption change impacting the movement in insurance liabilities during the period relates to discount rates for the Group's insurance subsidiaries Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL").

Discount rates

The movement in the valuation discount rate captures the impact of underlying changes in risk-free curves and spreads on backing assets. Both existing in-force assets and new assets purchased during the period contribute to the movement in the discount rate. Differences between the discount rates recognised on new business written during the period and the prevailing discount rates on the entire portfolio of business also contribute to the movement in insurance liabilities.

An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on a prudent expectation of default experience of each asset class.

	30 June 2018 %	31 December 2017 %
Valuation discount rates – gross liabilities		
Individually underwritten Guaranteed Income for Life Solutions (JRL)	3.55	3.23
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	3.40	3.11
Defined Benefit (JRL)	3.55	3.23
Defined Benefit (PLACL)	3.40	3.11
Other annuity products (PLACL)	1.18	0.95
Term and whole of life products (PLACL)	1.48	1.39

Future expenses

Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.3% (2017: 4.4%).

Non-economic assumption changes

There were no non-economic assumption changes during the period. (Year ended 31 December 2017: The principal non-economic assumption changes impacting the movement in insurance liabilities during the period related to maintenance expenses for both JRL and PLACL, and DB mortality for JRL. These are explained in note 22 (c) of the Just Group plc Report & Accounts for the year ended 31 December 2017).

9. LOANS AND BORROWINGS

	Carrying value			Fair Value		
	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m
£100m 9.5% 10 year subordinated debt 2025 non-callable 5 years (Tier 2) issued by Partnership Life Assurance Company Limited	95.6	95.3	94.9	105.9	112.8	105.4
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	248.7	248.6	248.6	287.8	282.3	273.7
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	229.0	–	–	227.7	–	–
Total loans and borrowings	573.3	343.9	343.5	621.4	395.1	379.1

10. 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	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m
Fair value through profit or loss				
Derivative financial liabilities	(a)	198.1	236.3	180.9
Obligations for repayment of cash collateral received	(a)	0.6	16.3	104.0
Deposits received from reinsurers	(b)	2,526.0	2,654.1	2,686.3
Liabilities measured using insurance rules under IFRS 4				
Deposits received from reinsurers	(b)	1,440.2	1,901.4	2,134.1
Reinsurance finance	(c)	38.9	49.3	56.9
Reinsurance funds withheld	(d)	178.0	188.0	193.2
Total other liabilities		4,381.8	5,045.4	5,355.4

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

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

(b) Deposits received from reinsurers

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

(c) Reinsurance finance

The reinsurance finance has been established in recognition of the loan obligation to the reinsurers under the Group’s reinsurance financing arrangements, the repayment of which are contingent upon the emergence of surplus under the old Solvency I valuation rules.

(d) Reinsurance funds withheld

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives	30 June 2018			31 December 2017		
	Asset fair value £m	Liability fair value £m	Notional amount £m	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	6.4	85.4	1,031.5	7.7	71.1	866.2
Interest rate swaps	38.0	53.2	1,527.5	63.7	48.8	1,527.5
Inflation swaps	15.8	57.7	1,836.6	25.6	31.1	1,689.1
Forward swap	0.5	1.8	486.6	1.8	1.0	385.8
Credit default swaps	–	–	–	–	0.5	43.4
Interest rate futures	3.8	–	186.0	1.4	83.8	186.0
Total	64.5	198.1	5,068.2	100.2	236.3	4,698.0

Derivatives	30 June 2017		
	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	2.4	95.7	844.4
Interest rate swaps	47.3	51.3	1,103.7
Inflation swaps	24.4	31.2	1,383.0
Forward swap	2.8	2.7	359.1
Credit default swaps	0.6	–	43.4
Interest rate futures	–	–	0.1
Total	77.5	180.9	3,733.7

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

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

As at 30 June 2018, the Company had pledged collateral of £246.7m (31 December 2017: £119.3m / 30 June 2017: £160.7m) of which £nil were gilts and European Investment Bank bonds (31 December 2017: £5.8m / 30 June 2017: £53.5m) and had received cash collateral of £0.6m (31 December 2017: £16.3m / 30 June 2017: £104.0m).

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Movement in fair value of derivative instruments	(80.5)	(21.1)	30.1
Realised losses on interest rate swaps closed	(1.7)	2.2	(1.4)
Total amounts recognised in profit or loss	(82.2)	(18.9)	28.7

12. RELATED PARTIES

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

Key management personnel comprise the Directors of the Company.

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

Key management compensation is as follows:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Short-term employee benefits	2.3	1.3	4.8
Share-based payments	1.3	0.9	2.3
Total key management compensation	3.6	2.2	7.1
Loans owed by Directors	0.4	0.3	0.3
Loans advanced to associate and fees on loans	–	0.2	–

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

13. POST BALANCE SHEET EVENTS

In July 2018 the PRA published CP13/18, "Solvency II: Equity release mortgages", which sets out additional proposals in relation to the use of lifetime mortgages to back annuity liabilities.

The PRA has stated that the consultation process will close on 30 September 2018 with a view to implementation for the 31 December 2018 year end.

Whilst the outcome of the consultation remains uncertain, CP13/18 contains proposals which if implemented as outlined, could result in a material reduction in the Group's capital position.

GLOSSARY AND DEFINITIONS

Acquisition costs – acquisition costs comprise the direct costs (such as commissions) of obtaining new business.

Adjusted earnings per share – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19.25% for 2017), and dividing this result by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit together with the impact of one-off assumption changes, experience variances, results of the other Group companies, development expenditure and financing costs. Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

Alternative performance measure ("APM") – In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures (APMs) within the Annual Report & Accounts. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Amortisation and impairment of intangible assets – amortisation costs relate to the amortisation of the Group's intangible assets, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Retirement Group plc.

Auto-enrolment – new legal duties being phased in that require employers to automatically enrol workers into a workplace pension.

Buy-in – an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out – an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown – a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan – a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

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

Combined Group/Just Group – following completion of the merger with Partnership Assurance Group plc, Just Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

Defined benefit pension scheme – a pension scheme, usually backed or 'sponsored' by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme – a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking – an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure – development expenditure captures costs relating to the development of new products and new initiatives, and is included within adjusted operating profit.

Drawdown – (in reference to Just Group sales or products) collective term for Flexible Pension Plan and capped drawdown.

Economic capital coverage ratio – an APM and one of the Group's KPIs, economic capital is a key risk-based capital measure and expresses the Board's view of the available capital as a percentage of the required capital.

Employee benefit consultant ("EBC") – an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release – products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it.

European embedded value (“EEV”) – an APM and one of the Group’s KPIs. EEV represents the sum of shareholders’ net assets and the value of in-force business, and is a key measure in assessing the future profit streams of the Group’s long-term business. It also recognises the additional value of profits in the business that has been written but not yet recognised under IFRS accounting. European embedded value is reconciled to IFRS net equity in the Business Review.

Finance costs – finance costs represent interest payable on reinsurance deposits and financing, the interest on the Group’s Tier 2 Notes, and, in the prior year, bank finance costs.

Flexi-access drawdown – the option introduced in April 2015 for DC pension savers who have taken tax-free cash to take a taxable income directly from their remaining pension with no limit on withdrawals.

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

Guaranteed income for life (“GifL”) – retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a “joint-life” basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GifL solutions.

Guaranteed Guidance – see Pensions Wise.

Guaranteed income for life (“GifL”) – retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a “joint-life” basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GifL solutions.

IFRS net assets – one of the Group’s KPIs, representing the assets attributable to equity holders.

IFRS profit before tax – one of the Group’s KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit – an APM and one of the Group’s KPIs, capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies together with the expected average rate of return on surplus assets. In-force operating profit is reconciled to IFRS profit before tax in the Business Review.

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

Key Performance Indicators (“KPIs”) – KPIs are metrics adopted by the Board which are which are considered to give an understanding of the Group’s underlying performance drivers. The Group’s KPIs are New business sales, New business operating profit, In-force operating profit, Adjusted operating profit, IFRS profit before tax, IFRS net assets, European embedded value, Solvency II capital coverage ratio and Economic capital coverage ratio.

Lifetime mortgages – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the home is no longer needed.

Medical underwriting – the process of evaluating an individual’s current health, medical history and lifestyle factors such as smoking when pricing an insurance contract.

New business operating profit – an APM and one of the Group’s KPIs, representing the profit generated from new business written in the year after allowing for the establishment of prudent reserves and for acquisition expenses. New business operating profit is reconciled to IFRS profit before tax in the Business Review.

New business sales – an APM and one of the Group’s KPIs and a key indicator of the Group’s growth and realisation of its strategic objectives. New business sales include DB, GifL, Care, FPP and protection premiums written combined with LTM advances in the year. New business sales are reconciled to IFRS Gross premiums in note 2 to the consolidated financial statements.

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

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

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

Non-recurring and project expenditure – non-recurring and project expenditure includes any one-off regulatory, project and development costs. This line item does not include acquisition integration, or acquisition transaction costs, which are shown as separate line items.

Operating experience and assumption changes – captures the impact of the actual operating experience differing from that assumed at the start of the 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.

Other Group companies' operating results – the results of Group companies including HUB, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

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

Pension Freedoms/Pension Freedom and Choice/Pension Reforms – the UK Government's pension reforms, implemented in April 2015.

Pensions Wise – the free and impartial service introduced in April 2015 to provide "Guaranteed Guidance" to defined contribution pension savers considering taking money from their pensions.

Prognosys™ – a next generation underwriting system, which is based on individual mortality curves derived from Just Group's own data collected since its launch in 2004.

Retirement Income sales (in reference to Just Group sales or products) – collective term for GifL, DB and Care Plan.

Retirement sales (in reference to Just Group sales or products) – collective term for Retirement Income sales and Drawdown.

Regulated financial advice – personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

Reinsurance and finance costs – the interest on subordinated debt, bank loans and reinsurance financing, together with reinsurance fees incurred.

Simplified advice – regulated financial advice offering a limited service on a limited or specialist area of financial need, such as retirement, to retail customers taking into account information relevant to that need.

Solvency II – an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio – one of the Group's KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Trustees – individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme's members.

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