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Just Retirement Limited

Report and Accounts
For the Year Ended 30 June 2010

Company number 5017193

JUST RETIREMENT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 June 2010

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the Company are underwriting of enhanced annuity business and the sale of equity release mortgage products in the UK

The Directors consider that this will continue into the foreseeable future

RESULTS AND DIVIDEND

The financial result of the Company for the year ended 30 June 2010 is a profit after tax of £59,433,000 (2009 £32,125,000) which has been transferred to reserves The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2010 (2009 final dividend recommended of £5 million)

Commentary on the Company's business performance is included in the financial statements of Just Retirement (Holdings) Limited

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks

The Company adopts a prudent approach to the management of insurance risk through suitable product design, monitoring of results and the use of reinsurance to minimise solvency risk and profit volatility The Group similarly adopts a prudent approach to the management of financial risk, with a view to minimising losses, where practicable, from its exposure to market, credit, liquidity and interest rate risks

Underwriting Strategy

The Company's insurance contracts are targeted at the at-retirement market The focus is specifically on individuals with one or more pre-existing medical or lifestyle conditions leading to a reduced life expectancy Rather than simply assessing people's life expectancy based on pre-determined categories of age and gender, the Company takes into account around 1,000 recognised medical conditions, together with other lifestyle factors such as obesity and whether the person smokes By focusing on non-standard lives, the Company manages its main insurance risk under the annuity contracts, longevity

Asset/liability Matching

A key aspect in the management of the Company's risk is through matching the amount and timing of the cash flows from assets and liabilities

Every week the Company estimates its projected net liability cash flows The stream of projected net cash flows is provided to its asset managers The investment management agreement requires the managers to select assets which generate an interest rate sensitivity below a pre-defined level The measure of interest rate sensitivity adopted represents the difference between the change in asset value and the change in liability value that would arise following a change in interest rates This measure is monitored separately for various durations and overall The managers' recommendations are examined and formally approved by the Company before being executed

Specific Insurance Risks

Insurance risk on the annuity contracts arises through longevity risk and worse than anticipated operating experience on factors such as management and administration expenses The loans secured by mortgages also expose the Company to longevity risk through the no-negative equity guarantee

Longevity risk is carefully monitored against external industry data, emerging trends and its historic assumptions The Company has also used reinsurance solutions to reduce the risks from longevity on the annuity contracts

Pricing for the annuity contracts is determined using a proprietary underwriting system developed with the Company's lead reinsurer

Expense risk is primarily managed through the assessment of profitability and frequent monitoring of expense levels

Concentrations of Insurance Risk

The key concentration of insurance risk is improving longevity risk Improved longevity risk arises from enhanced medical treatment and improved life circumstances This concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions thereby avoiding excessive exposure in any particular area

Early Redemption Risk in Equity Release Mortgages

Early voluntary redemptions lead to a loss in future margin and to funding costs This is partially mitigated by early repayment charges

Market Risks

Market risk is the risk of adverse financial impact due to changes in fair values of assets and liabilities from fluctuations in interest rates and market prices (i e property and bond prices)

The Company manages market risks using asset/liability matching techniques and within regulatory constraints

For each of the material components of market risk, described in more detail below, the Company has also put in place policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite

Property Price Risk

Property price risk arises from sustained underperformance in UK residential property prices against which the Company's equity release mortgages are secured This would result in the possibility that the mortgage debt will exceed the proceeds on sale at the date of redemption

House prices are monitored and the impact of exposure to adverse house prices both regionally and nationally is regularly reviewed To mitigate this risk, for each advance the loan to value on origination is at a low level and the performance of the equity release contracts is monitored through dilapidation reviews

Interest Rate Risk

The Company's exposure to changes in interest rates is concentrated in the loans secured by mortgages, investment portfolio, and its insurance obligations However, changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of the insurance provisions The Company monitors this exposure through regular reviews of the asset and liability position

Credit Risk

Credit risk is the risk of loss due to another party failing to meet all or part of their obligations

The Company manages credit risk on its investment portfolio by investing in investment grade assets Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to within credit rating levels Credit risk on reinsurance balances is mitigated because the reinsurers deposit back more than 100% of premiums ceded under the reinsurance agreements, leaving no significant credit exposure

Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited

Credit risk is mitigated on the equity release mortgages as they are secured against the value of the underlying residential property at a low loan to value ratio Furthermore, the nature of the product means that there is no default risk in either principal or interest other than by way of the no negative equity guarantee Effectively, credit and default risk are reflected in the no-negative equity guarantee provision

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

Liquidity Risk

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

Liquidity risk is managed in the following ways

• assets of a suitable maturity and marketability are held to meet liabilities as they fall due
• forecasts are prepared regularly to predict required liquidity levels over both the short and medium term

KEY PERFORMANCE INDICATORS

The key performance indicators used by the Directors to manage the Company's operations include level of sales of enhanced annuities and equity release mortgages, profit before tax measured on both UK GAAP basis and European Embedded Value ("EEV") basis, value of new business measured on an EEV basis, and the level of the acquisition expense overrun/underrun

GOING CONCERN

After making enquiries the directors have formed the view, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason the directors have adopted the going concern basis in preparing these financial statements

DIRECTORS

The directors who held office during the year and at the date of this report are listed below

Tom Cross Brown - Chairman (appointed 26 May 2010)
Christopher Berryman
David Cooper
Shayne Deighton
Steven Kyle
Clifton Melvin
Simon Thomas
James Fraser (appointed 18 March 2010)
Charles Sherwood (appointed 18 March 2010)
Rodney Cook (appointed 5 July 2010)
Arthur Leslie Owen (appointed 26 May 2010)
Keith Jones (appointed 26 May 2010)
Gaynor Welch (resigned 30 September 2009)
Bernard Brown (resigned 16 December 2009)
Peter Hales (resigned 31 May 2010)
Michael Fuller (resigned 2 July 2010)

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is the Company's policy to pay creditors when they fall due for payment Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions

The processing of invoices from suppliers and settlement of trade creditors is undertaken by a fellow subsidiary undertaking within the Just Retirement (Holdings) Limited Group

As the Company owed no amounts to trade creditors at 30 June 2010, the number of days shown in this report, to comply with the provisions in the Companies Act 2006, is nil (2009 nil)

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations during the year ended 30 June 2010

DISCLOSURE OF INFORMATION TO AUDITORS

Each person who was a Director of the Company on the date that this report was approved confirms that, so far he or she is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant information and to establish that the Auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

AUDITORS

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

BY ORDER OF THE BOARD

Craig Humphreys
Secretary
28 September 2010

Registered Office
Vale House
Roebuck Close
Bancroft Road
Reigate
Surrey
RH2 7RU

Registered in England
Number 5017193

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUST RETIREMENT LIMITED

We have audited the financial statements of Just Retirement Limited for the year ended 30 June 2010 set out on pages 7 to 22 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Robert Lewis

Robert Lewis, (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
United Kingdom

28 September 2010

JUST RETIREMENT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010

TECHNICAL ACCOUNT – LONG TERM BUSINESS

	Notes	Year ended 30 June 2010	Year ended 30 June 2009
		£'000	£'000
Gross premiums written		**804,583**	590,789
Outward reinsurance premiums		**(478,091)**	(334,715)
		326,492	256,074
Investment income including realised and unrealised investment gains/(losses)	2a	**292,770**	125,402
Other technical income		**1,528**	271
		620,790	381,747
Claims incurred			
Claims paid			
Gross amount		**(176,450)**	(128,512)
Reinsurers' share		**109,848**	80,366
		(66,602)	(48,146)
Change in other technical provisions, net of reinsurance			
Long term business provision			
Gross amount		**(870,478)**	(530,443)
Reinsurers' share		**539,345**	345,172
		(331,133)	(185,271)
Net operating expenses	3	**(73,386)**	(51,806)
Investment expenses and charges	2b	**(66,578)**	(52,648)
Tax attributable to the long term business	4	**(22,483)**	(11,876)
Balance on the technical account – long term business		**60,608**	32,000

JUST RETIREMENT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010

NON-TECHNICAL ACCOUNT

	Notes	**Year ended 30 June 2010**	Year ended 30 June 2009
		£'000	£'000
Balance on the long term business technical account		**60,608**	32,000
Tax attributable to shareholders' profit on long term business	4	**22,483**	11,876
Shareholders' pre tax profit arising on long term business		**83,091**	43,876
Investment income	2c	**222**	954
Other charges		**(1,334)**	(562)
Profit on ordinary activities before tax		**81,979**	44,268
Tax on ordinary activities	4	**(22,546)**	(12,143)
Profit after tax		**59,433**	32,125

The Company has no recognised gains and losses other than those in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

All figures relate to continuing operations

JUST RETIREMENT LIMITED

BALANCE SHEET
AT 30 JUNE 2010

Company number 5017193

	Notes	30 June 2010 £'000	30 June 2009 £'000
Assets			
Investments	9	**2,917,132**	1,951,621
Reinsurers' share of technical provisions			
Long term business provision		**1,680,337**	1,140,992
Debtors			
Debtors arising out of reinsurance operations		**1,468**	2,373
Other debtors	10	**3,612**	14,614
		5,080	16,987
Other assets			
Cash at bank and in hand		**433**	2,987
Prepayments and accrued income			
Accrued interest		**40,812**	29,076
Total assets		**4,643,794**	3,141,663

JUST RETIREMENT LIMITED

BALANCE SHEET
AT 30 JUNE 2010

	Notes	30 June 2010 £'000	30 June 2009 £'000
Liabilities			
Capital and reserves			
Called up share capital	11	**7,500**	6,500
Share premium account	12	**67,500**	58,500
Capital contribution	12	**2,497**	1,162
Profit and loss account	12	**117,542**	63,109
Equity shareholders' funds	12	**195,039**	129,271
Technical provisions			
Long term business provision	13	**2,663,277**	1,792,799
Claims outstanding		**179**	125
		2,663,456	1,792,924
Deferred taxation	14	**12,084**	13,768
Deposits received from reinsurers		**1,680,337**	1,140,992
Creditors			
Creditors arising out of direct insurance operations – intermediaries		**14,580**	9,389
Other creditors including taxation and social security	15	**24,276**	11,576
		38,856	20,965
Subordinated debt	16	**54,022**	43,743
Total liabilities		**4,643,794**	3,141,663

The Financial Statements were approved by the Board of Directors on 28 September 2010 and were signed on its behalf by

Rodney Cook Director

Simon Thomas Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of investments The following accounting policies have been consistently applied, except for changes in accounting policies as set out below

A Basis of preparation

The financial statements have been prepared in accordance with the recommendations of the revised Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the "ABI SORP") in December 2005, as amended in December 2006 and the Companies Act 2006

B Long term business

The long term business result is determined using the modified statutory solvency basis

C Long term business provision

The long term business provision is determined having due regard to the principles laid down in Council Directive 92/96/EEC A prospective gross premium valuation method has been adopted for traditional classes of business The estimation process involved in determining the long term business provision involves projecting future annuity payments The key sensitivities are the assumed level of interest rates and mortality experience

D Premiums

Premiums are accounted for as they are received Outward reinsurance premiums are accounted for on a payable basis Premiums exclude any taxes or duties based on premiums

E Financial reassurance

Long term business is ceded to reassurers under contracts to transfer mortality risk Such contracts are accounted for as insurance contracts Such contracts which provide for the transfer of risk are also structured to provide financing In such circumstances the directors do not consider it practicable on a contract by contract basis to separate out the financing components from the transfer of insurance risk

When, under such contracts, financing components are to be repaid in future accounting periods at a rate designed to provide a financier's return to the reassurer, the financing component amount outstanding under the contract at the balance sheet date is classified as subordinated debt

F Claims

Annuities are accounted for as they fall due for payment

G Investment income, expenses and charges

Investment income is accounted for on a receivable basis Dividends are recognised on the date on which the related investment is quoted as ex-dividend Interest income is accrued up to the balance sheet date Investment expenses are recognised on an accruals basis

1. **Accounting policies** (continued)

H Investment gains and losses

Unrealised gains and losses on investments are calculated as the difference between the current valuation of investments and the valuation at the last balance sheet date or cost if acquired at a later date An adjustment is made to the unrealised gains and losses for the prior year's unrealised element included in the current year's realised gains and losses Realised investment gains and losses represent the difference between net sale proceeds and purchase price or, if the investments have been previously valued their valuation at the last balance sheet date Realised gains are included in investment income and realised losses are included in investment expenses and charges

I Allocation of investment return

Investment return, comprising investment income and realised and unrealised investment gains and losses, and investment expenses are included within the technical account – long term business in so far as they relate to investments which are directly connected with the carrying on of long term business The investment return and expenses arising in relation to all other investments are taken to the non-technical account

J Taxation

Taxation is charged to the long term business technical account based on the rules applicable to life assurance business The taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes is also taken into account

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the timing differences, carry forward of unused tax assets and unused tax losses, can be utilised

Taxation is charged to the non-technical account based on the result for the financial year and takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes

K Investments

All investments are stated at their current value Listed investments are valued at bid market price Roll up and fixed lifetime equity release mortgages are valued using a discounted cash flow analysis which considers future expenses and assumed mortality experience The no negative equity guarantee cost is valued using a variant of the Black-Scholes option pricing model

L Leases

Operating lease rentals are charged to the profit and loss account over the period of the lease

M Pension benefits

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in a fund managed by a third party

The amount charged against the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

N Share-based payments

The grant date fair value of share options granted by the Company's parent undertaking, Just Retirement (Holdings) Limited, to employees of the Group who perform services on behalf of the Company, is recognised as an employee expense, with a corresponding increase in equity, recognised as a capital contribution, over the period that the employees become unconditionally entitled to the options The amount recognised as an expense is adjusted to reflect the actual number of share options that vest

2. a) Investment income including realised and unrealised investment gains/(losses)

	Long term business technical account	
	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Income from investments	**87,612**	63,914
Reassurance deposit adjustment in respect of movement in discount rates	**(96,916)**	(36,955)
Net gain(loss) on the realisation of investments	**4,649**	(14,544)
Unrealised investment gain	**297,425**	112,987
	292,770	125,402
Investment management expenses including interest (note 2b)	**(66,578)**	(52,648)
Total investment return before tax	**226,192**	72,754

b) Investment management expenses including interest

	Long term business technical account	
	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Interest on reassurance deposit	**(62,008)**	(48,982)
Investment management expenses	**(1,357)**	(1,278)
Other interest payable	**(3,213)**	(2,388)
	(66,578)	(52,648)

c) Investment income

	Non-technical account	
	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Income from investments	**222**	954
Total investment return before tax	**222**	954

3. Net operating expenses

		Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Acquisition costs - commission		**21,888**	15,818
- other		**3,394**	2,390
Administrative expenses		**47,898**	32,586
Operating lease rentals		**-**	810
Auditors' remuneration	- As auditor	**191**	187
	- Other services	**15**	15
		73,386	51,806

4 Taxation

	Long term business technical account	
	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
UK Corporation tax		
Tax charge in respect of current year	**(24,167)**	(4,897)
Adjustment in respect of prior years	**-**	(29)
Total current tax	**(24,167)**	(4,926)
Deferred Taxation		
Origination and reversal of timing differences	**1,684**	(6,843)
Adjustment in respect of prior years	**-**	(107)
	1,684	(6,950)
Total tax	**(22,483)**	(11,876)

	Non-technical account	
	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
UK Corporation tax		
Current tax on income for the period	**(63)**	(267)
Tax attributable to the balance on the long term business technical account	**(22,483)**	(11,876)
Total tax	**(22,546)**	(12,143)

Factors affecting tax charge for the year:

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	**81,979**	44,268
Current tax at 28% (2009 28%)	**(22,954)**	(12,395)
Effects of		
Timing differences in respect of technical reserves	**(1,684)**	6,843
Items not deductible for tax purposes	**408**	388
Adjustment in respect of prior years	-	(29)
Total current tax (see below)	**(24,230)**	(5,193)
Current tax Technical account	**(24,167)**	(4,926)
Non-technical account	**(63)**	(267)
	(24,230)	(5,193)

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the company's future current tax charge accordingly

If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability recognised at that date by £432k It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities accordingly

5. Remuneration of directors

Directors' remuneration is recharged from a fellow Group undertaking, Just Retirement Management Services Limited, in accordance with the management services agreement

The remuneration recharged during the financial year was as follows

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Directors' emoluments	**2,188**	1,863
Company contributions to money purchase pension schemes	**97**	107
	2,285	1,970

Certain directors, including the highest paid director, provide services to other companies within the Just Retirement Group In such cases, for the purposes of this note, figures have been included based on an apportionment to the Company of the total compensation earned

The total apportioned aggregate emoluments of the highest paid director were £323,000 (2009 £243,000) and Company pension contributions of £14,000 (2009 £14,000) were made to a money purchase scheme on his behalf

Retirement benefits are accruing to the following number of directors under

	Year ended 30 June 2010 Number	Year ended 30 June 2009 Number
Money Purchase Schemes	**8**	8

6 Staff costs

Staff costs are recharged from a fellow Group undertaking, Just Retirement Management Services Limited, in accordance with the management services agreement All staff are employed by Just Retirement Management Services Limited and details of employee numbers are available in the consolidated financial statements of Just Retirement (Holdings) Limited

The aggregate payroll costs of these persons were as follows

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Wages and salaries	**18,292**	11,667
Social security costs	**2,038**	1,483
Other pension costs	**779**	656
Share based payment expense	**1,336**	562
	22,445	14,368

7. Share-based payments

During the year ended 30 June 2010 the following share-based payment arrangements were in issue

Type of Arrangement	Contractual Life	Vesting Conditions
Company Share Option Scheme	10 years	Earnings per share growth
Performance share plan	3 years	Earnings per share growth and total shareholder return
Save as You Earn Scheme	3 or 5 years	Employee service period

All of the above share based payment arrangements are equity-settled

i Reconciliation of Movement in Options

The number and weighted average exercise prices of share options are as follows

Options over Ordinary Shares in Just Retirement (Holdings) Limited	No of Options Thousand
Outstanding at 1 July 2009	8,087
Granted during the year	-
Forfeited during the year	(3,729)
Exercised during the year	(3,413)
Expired during the year	(945)
Outstanding at 30 June 2010	-

ii Measurements and Assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted The estimate of the fair value of share options granted is measured using a Black-Scholes option pricing model iii Option Pricing Inputs

The following describes the option pricing inputs used for options granted by the Group

	Year	No of Options Granted Thousand	Fair Value at Measurement Date (pence)	Share Price (pence)	Exercise Price (pence)	Expected Volatility	Expected Life	Expected Dividends	Risk Free Interest Rate
Company share option scheme	2006	575	97	198	198 5	40%	7 years	0 1%	4 5%
Performance share plan	2006	1,101	168	198	Nil	40%	3 years	0 1%	4 5%
Company share option scheme	2007	567	127	228	228	50%	7 years	0 3%	4 9%
Performance share plan	2007	423	180	228	Nil	40%	3 years	0 3%	4 9%
Save as You Earn	2007	607	78	199	178	41%	4 years	0 3%	4 4%
Company share option scheme	2008	1,895	42	70	64 5	65%	7 years	1 4%	4 0%
Performance share plan	2008	1,571	56	70	Nil	60%	3 years	1 4%	2 9%
Save as You Earn	2008	3,141	41	70	40	61%	4 years	1 4%	3 0%

All the above model inputs are expressed as weighted averages The expected volatility is based on the annualised historic volatility of the share price over a period commensurate with the expected option life, ending on the date of valuation of the option The expected life assumption is based on the average length of time similar grants have remained outstanding in the past and the type of employees to which awards have been granted

8 Dividends

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Final dividend paid in respect of 30 June 2009 7 7p per ordinary share (In respect of 30 June 2008 7 7p per ordinary share)	**5,000**	5,000

9. Investments

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Current value		
Shares & other variable-yield securities and units in unit trusts	**82,986**	60,495
Debt securities and other fixed income securities	**1,782,379**	1,233,421
Loans secured by mortgages	**1,051,767**	657,705
	2,917,132	1,951,621

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Cost		
Shares & other variable-yield securities and units in unit trusts	**82,986**	60,495
Debt securities and other fixed income securities	**1,738,750**	1,307,526
Loans secured by mortgages	**693,223**	485,293
	2,514,959	1,853,314

All investments included in debt securities and other fixed income securities are listed investments Shares & other variable-yield securities and units in unit trusts comprise wholly of units in a liquidity fund

10. Other debtors

	30 June 2010 £'000	30 June 2009 £'000
Amounts owed by group undertakings	**3,583**	7,150
Corporate taxation	-	5,372
Other	**29**	2,092
	3,612	14,614

All debtors are receivable within one year

11. Called up share capital

a) The authorised share capital of the Company was

	30 June 2010 £'000	30 June 2009 £'000
100,000,000 (2009 100,000,000) ordinary shares of £0 10 each	**10,000**	10,000

b) The allotted, called up and fully paid share capital of the Company was

	30 June 2010 £'000	30 June 2009 £'000
75,000,000 (2009 65,000,000) ordinary shares of £0 10 each	**7,500**	6,500

12. Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
Opening balance at 1 July 2009	6,500	58,500	1,162	63,109	129,271
Shares issued	1,000	9,000	-	-	10,000
Share based payments expense			1,335	-	1,335
Profit for the financial year	-	-	-	59,433	59,433
Dividends paid	-	-	-	(5,000)	(5,000)
At 30 June 2010	**7,500**	**67,500**	**2,497**	**117,542**	**195,039**

13. Long term business provision

Principal assumptions underlying the calculation of the long term business provision

Class of business	Mortality table	Interest rate
Annuities in payment		
At 30 June 2009 – Linked	PCXA00 *	0 85%
At 30 June 2009 – Non Linked	PCXA00 *	5 36%
At 30 June 2010 – Linked	PCXA00 *	0 87%
At 30 June 2010 – Non Linked	PCXA00 *	4 36%

* X = male or female table
Percentage of table varies according to medical condition

The actuarial tables have been adjusted to reflect the underwriting estimate of mortality

14. Deferred tax

	30 June 2010 £'000
Opening balance at 1 July 2009	**13,768**
Charged to profit and loss account	**(1,684)**
Closing balance at 30 June 2010	**12,084**

	30 June 2010 £'000	30 June 2009 £'000
Reassurance provision	**(55)**	(316)
Technical reserves	**12,139**	14,084
	12,084	13,768

FRS 19 'Deferred Tax' requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation Accordingly, it can be assumed that the future reversal of any deferred tax liabilities recognised at the balance sheet date will give rise to taxable profits To the extent that those profits will be suitable for the deduction of the reversing deferred tax asset, the asset can be regarded as recoverable

15 Creditors : amounts falling due within one year

	30 June 2010 £'000	30 June 2009 £'000
Bank overdraft	**2,100**	-
Amounts owed to group undertakings	**2,129**	656
Corporate Taxation	**9,108**	4,508
Accruals and deferred income	**306**	735
Other creditors	**10,633**	5,677
	24,276	11,576

16. Subordinated debt

	30 June 2010 £'000	30 June 2009 £'000
Subordinated debt	**54,022**	43,743

Subordinated debt relates to the company's reassurance financing arrangements (see Note 20)

17. Related party transactions

In accordance with the exemption in Financial Reporting Standard 8 'Related Party Transactions', the Company has not disclosed details of transactions with wholly owned subsidiaries of Just Retirement (Holdings) Limited

18. Cash flow statement

The Company has relied upon the exemption given in Financial Reporting Standard 1 (Revised 1996) 'Cash Flow Statements' and has not prepared a cash flow statement on the grounds that the consolidated Group financial statements are publicly available

19. Capital

In accordance with the exemption in paragraph 31(a) of Financial Reporting Standard 27 'Life Assurance', the Company has not disclosed details of regulatory capital on the grounds that the consolidated Group financial statements are publicly available

20 Reassurance arrangements

Just Retirement Limited has entered into long term reassurance arrangements with two European reinsurance companies Under the reinsurance treaties, 66% of the liability under reassured policies written is ceded to the reinsurers who deposit back an amount calculated to cover this risk on a deferred basis so as to mitigate the credit risk that would otherwise be borne by Just Retirement Limited In addition to the reinsurance of the mortality risk, Just Retirement Limited receives a benefit for FSA solvency purposes because the reassurance premium paid to the reinsurers only represents 95 5% of the value of the reassured liabilities on the treaty basis with the resultant capital benefit utilised as solvency capital The repayment of the reassurance premium deduction is contingent upon the emergence of surplus under the FSA valuation rules, this liability is not taken into account in determining the FSA's Pillar 1 solvency of Just Retirement Limited, and is classified and recorded as subordinated debt

21 Capital commitments

There were no capital commitments at the end of the financial year

22. Ultimate parent company

The immediate parent company of Just Retirement Limited is Just Retirement (Holdings) Limited ("the Group"), a company incorporated in England and Wales

On 26 November 2009 Avalon Acquisitions Limited, a company incorporated in England and Wales, acquired a 100% interest in the Group and as such is the immediate parent undertaking of the Group

Copies of the consolidated financial statements of Avalon Acquisitions Limited may be obtained from the Company Secretary, Avalon Acquisitions Limited Limited, Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey, RH2 7RU

The ultimate parent undertaking of the Group is Avallux Sarl, a company incorporated in Luxembourg

Avallux Sarl is wholly owned by funds advised by Permira Advisers The directors consider the ultimate controlling party of the Group to be funds advised by Permira Advisers

23. Post balance sheet events

There have been no material events between 30 June 2010 and the date of this report that are required to be brought to the attention of shareholders