

O-RE HOLDINGS UK LIMITED

(Company Registration Number: 5997394)

REPORT AND ACCOUNTS

For the year ended 31 December 2011



O-RE HOLDINGS UK LIMITED

REPORT AND ACCOUNTS 2011

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O-RE HOLDINGS UK LIMITED

REGISTERED OFFICE

Watson House
54 Baker Street
London
W1U 7BU

Company Registration No 5997394

BOARD OF DIRECTORS

M Dale
Director

H E M Osmond
Director

Lord E A C Churchill
Director

E J C Hawkes
Alternate Director (alternate to Lord E A C Spencer Churchill)

B J Thompson
Alternate Director (alternate to M Dale)

Company Secretary

A P Bradshaw

DIRECTORS' REPORT

The Directors present their report and the annual financial statements for the year ended 31 December 2011

Principal activities and future developments

The principal activity of the Company is to receive returns on its investments

On 5 September 2011, O-Re Holdings UK Limited ("the Company") proceeded with the voluntary liquidation of its wholly owned subsidiary, O-Re Holdings (Netherlands) BV. On 5 September 2011, the receivable between O-Re Holdings (Netherlands) BV and O-Re Holdings UK Limited was derecognised as part of the liquidation. O-Re Holdings (Netherlands) BV was officially struck off the companies register on 31 January 2012.

Going Concern

The net liabilities of the business exceed its net assets. In view of this the Directors have concluded that the business is not a going concern. The Directors plan to oversee an orderly wind down of the business.

Principal risks and uncertainties

The Group has net liabilities and, as a consequence, the accounts have been prepared on a break-up basis. As noted above, the Directors plan to oversee an orderly wind down of the business.

Performance during 2011

The Group generated a loss before taxation £6.8m (2010: profit £4.8m).

The consolidated cash flow statement of the Group reported an increase in net cash during the year ended 31 December 2011 of £0.8m (2010: increase of £0.7m).

Dividends

No dividends were paid or recommended in the year ended 31 December 2011 (2010: £Nil).

Position as at 31 December 2011

The consolidated net liabilities of the Group at 31 December 2011 were £67.5m (2010: £60.5m).

The accounts have been prepared on a break up basis with all assets and liabilities stated at current value. The company has no employees and therefore no provisions for severance or redundancy are required.

Post Balance Sheet Events

On 1 August 2012 the directors of O-Re UK Holdings Limited made a partial repayment against the outstanding loans amounting to £4.2m. On 28 August 2012 the Company completed the transfer of its holding in 4.6m shares in Phoenix Group Holdings to each of its lenders under the Loan Agreements. The final settlement is expected to be agreed in 2012.

DIRECTORS REPORT (continued)

Share capital

Details of movements in allocated share capital during the year are given in note 8 on the accounts

Directors and their interests

The names of the directors as at the date of this report are set out on page 2

Audit information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board of Directors



A P Bradshaw
Secretary
26 September 2012



Lord E A C Spencer Churchill
Director
26 September 2012

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 group and parent company 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 group and parent company and of the profit or loss of the group for that period. In preparing each of the group and parent company 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 group and parent company will continue in business. As explained in the basis of preparation, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF O-RE HOLDINGS UK LIMITED

We have audited the financial statements of O-Re Holdings UK Limited for the year ended 31 December 2011, set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for reason set out in the Basis of presentation note to the financial statements.

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 auditor's 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 auditor

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, and express an opinion on, 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 website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



Karen T Orr (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 September 2012

O-RE HOLDINGS UK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2011

	Notes	Year ended 31 Dec 11 £m	Year ended 31 Dec 10 £m
Investment income	2	1 9	1 3
Investment expenses and charges	2	(4 9)	-
Other (charges) / Movement in Fair Value of Investments	1 1	(3 8)	3 5
Operating (loss)/profit on ordinary activities		(6.8)	4 8
Taxation on (loss)/profit on ordinary activities	3	(0 2)	
(Loss)/profit on ordinary activities after taxation		(7.0)	4 8
(Loss)/profit on ordinary activities attributable to shareholders		(7.0)	4 8

The notes on pages 11 to 19 form part of the financial statements

O-RE HOLDINGS UK LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

	Notes	31 Dec 11 £m	31 Dec 10 £m
Current Assets			
Other debtors		-	0 2
Cash at bank and in hand	10 2	3 2	2 4
Equity Investments	5	24 5	27 6
		<hr/> 27 7	<hr/> 30 2
Creditors			
Debenture Loans	9 2	(90 2)	(90 2)
Other creditors including taxation and social security	9 2	(0 1)	(0 4)
Accruals & deferred income		(4 9)	(0 1)
		<hr/> (67 5)	<hr/> (60 5)
Net current (liabilities)			
		<hr/> (67 5)	<hr/> (60 5)
Total Assets less Liabilities			
		<hr/> (67 5)	<hr/> (60 5)
Net liabilities			
		<hr/> (67 5)	<hr/> (60 5)
Capital and reserves			
Called up share capital	7	0 1	0 1
Profit and loss account	8 1	(67 6)	(60 6)
		<hr/> (67 5)	<hr/> (60 5)
Shareholders' deficit attributable to equity interests			
		<hr/> (67 5)	<hr/> (60 5)

The accounts were approved by the Board of Directors on the 26 September 2012 and signed on its behalf by



Lord E A C Spencer Churchill

The notes on pages 11 to 19 form part of the financial statements

O-RE HOLDINGS UK LIMITED

COMPANY BALANCE SHEET Company number 05997394 At 31 December 2011

	Notes	31 Dec 11 £m	31 Dec 10 £m
Current assets			
Equity Investments	5	24 5	27 6
Debtors		-	0 2
Cash at bank and in hand		3 2	2 4
		<u>27 7</u>	<u>30 2</u>
Creditors			
Amounts owed to group undertakings	9 1	-	(32 5)
Loans to third parties	9 1	(90 2)	(90 2)
Accruals and other creditors	9 1	(5 0)	(0 1)
		<u>(95 2)</u>	<u>(122 8)</u>
Net current (liabilities)		<u>(67 5)</u>	<u>(92 6)</u>
Total assets less current liabilities		<u>(67 5)</u>	<u>(92 6)</u>
Net liabilities		<u>(67 5)</u>	<u>(92 6)</u>
Capital and reserves			
Called up share capital	7	0 1	0 1
Profit and loss account	8 2	(67 6)	(92 7)
Shareholders' deficit attributable to equity interests	8 2	<u>(67 5)</u>	<u>(92 6)</u>

The accounts were approved by the Board of Directors on 26 September 2012 and signed on its behalf by



Lord E A C Spencer Churchill

The notes on pages 11 to 19 form part of the financial statements

O-RE HOLDINGS UK LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2011

	Notes	Year ended 31 Dec 11	Year ended 31 Dec 10
		£m	£m
Operating activities			
Net cash inflow from operating activities	10 1	0 8	0 7
Taxation			
Group relief received		-	-
Acquisitions and disposals			
Cash disposed of with subsidiary		-	-
Financing activities			
Issue of new loans		-	-
Increase in cash	10 3	<u>0 8</u>	<u>0 7</u>

The notes on pages 11 to 19 form part of the financial statements

ACCOUNTING POLICIES

Basis of presentation

The group financial statements of O-Re Holdings UK Limited ("the Company") and its subsidiary undertaking have been prepared in accordance with United Kingdom Generally Accepted Accounting Practices. A summary of the more important accounting policies adopted are described below.

The consolidated accounts have also been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

The accounts have been prepared on a break up basis.

Prior to 2009, the accounts were prepared on a going concern basis. As detailed in the Directors' Report, the liabilities of the business now exceed its assets. Following the sale of its subsidiary Opal Reassurance Limited and its interest in Axial Investment Management Limited in September 2009, the Directors have taken the decision to prepare the accounts on a break up basis. Loans continue to be carried at current value and not amortised cost.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year using consistent accounting policies. The results of the subsidiary, O-Re (Netherlands) BV, have been consolidated up to 31 October 2011 when the final liquidation proceedings of O-Re (Netherlands) BV commenced. No trade occurred from 31 October 2011 to 31 December 2011.

No profit and loss account is presented for the Company as permitted by Section 230(4) of the Companies Act 2006.

Current asset investments

Current asset investments include deposits with credit institutions and cash at bank and in hand and are designated on initial recognition as at fair value through profit and loss.

Borrowings

Borrowings have been stated at current value as the accounts have been prepared on a break up basis.

Investment income, realised and unrealised gains and losses on investments

Dividends are included as investment income on the date that the right to receive payment has been established.

Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously revalued, the valuations at the last balance sheet date. The movement in unrealised gains and losses recognised in the period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. Only investments traded in active markets are held.

Taxation

Expenses and assets are recognised gross of VAT.

Foreign currencies

Transactions in currencies other than the functional currency of the undertaking concerned are recorded at the rate appropriate at the time of accounting for the transaction. Currency balances at the year end are converted at the year end spot rate.

Shares in subsidiary undertakings and participating interests

Investments in shares in subsidiary undertakings and participating interests held in the Company balance sheet are included at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable.

Equity investments

Equity investments in the Company and Consolidated balance sheet are designated as financial assets held at current value through profit and loss.

NOTES TO THE ACCOUNTS**1 Net operating expenses and other charges****1 1 Other Income/ Charges**

Other income/ charges comprise of administrative costs, a fair value adjustment made against an equity investment and foreign exchange movements on an intercompany loan between the parent and its subsidiary

1 2 Analysis of staff costs and average employee numbers

The Group had no direct employees in the current or prior year

1 3 Auditors remuneration

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	7 2	8 5
	<u>7 2</u>	<u>8 5</u>

Auditor's remuneration has been shown gross of any VAT charged

2 Investment Return

	Year ended 31 Dec 11 £m	Year ended 31 Dec 10 £m
Income from financial assets at fair value through profit and loss	1 9	1 3
Unrealised (losses)/ losses on financial assets held at fair value through profit and loss	(4 0)	3 7
Investment (expense)/ income on financial liabilities held at current value	(4 9)	-
Total investment return	<u>(7 0)</u>	<u>5 0</u>

3. Taxation**3 1 Taxation**

	Year ended 31 Dec 11 £m	Year ended 31 Dec 10 £m
Corporation Tax		
- Attributable to the Group	0 2	-
Total tax charge	<u>0 2</u>	<u>-</u>

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3.2 Factors affecting tax charge for year

The standard rate of tax has been determined by using the UK rate enacted for the year in which the losses will be taxed

The tax assessed in the year is lower than the standard rate of corporation tax in the UK and the differences are explained below

	Year ended 31 Dec 11 £m	Year ended 31 Dec 10 £m
Profit/ (loss) on ordinary activities before taxation	<u>(6.8)</u>	<u>4.8</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010: 28%)	(1.8)	1.3
Effects of		
Untaxed income and expenses	0.5	(0.4)
Movement in unprovided deferred tax asset	1.7	(1.0)
Overseas Tax on Intercompany Loan	(0.2)	0.2
Tax Adjustment in respect of prior year		(0.2)
Current tax (credit)/ charge for the period	<u>0.2</u>	<u>0.0</u>

3.3 Factors that may affect future tax charges

£21.1m (2010: £14.9m) of losses are available to offset against future taxable profits. These losses have not been recognised in the balance sheet as further taxable profits against which these losses can be relieved are not yet sufficiently probable. On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012.

4 Directors' emoluments

No Directors have received emoluments in respect of their services to the Group.

5. Investments

Group

	31 Dec 11 £m	31 Dec 10 £m
Ordinary B shares	<u>24.5</u>	<u>27.6</u>
	<u>24.5</u>	<u>27.6</u>

On 24 June 2009, the directors of the Company approved the disposal of the Group's investment in Opal Reassurance Limited in exchange for shares in Phoenix Group Holdings, a company listed on the Euronext exchange.

The sale completed on 2nd September 2009.

The Group received an initial consideration of 2.48m Ordinary B Shares of Phoenix Group Holdings. These shares were deemed to have a fair value of £8.17 per share giving consideration of £20.3m. The Group also received further consideration in the form of a further 2.1m Ordinary B Shares.

5. *Investments (continued)*

The receipt of these shares were contingent on the future performance of the Phoenix Group Holdings share price. Subsequently, this contingent element was satisfied by the receipt of 1 98 Ordinary B Shares on 27th July 2010.

The shares are reflected at fair value.

6. **Risk management objectives and policies for mitigating**

The Current risks faced by the group are primarily

Market risk

The Company is subject to market risk, by virtue of its holding of Phoenix Group Holdings shares. Market risk is the risk that the value of the investment may decline over a period of time due to changes in the economy or wider markets.

Currency Risk

The Company was exposed to currency risk due to holding its assets in one currency (€) and liabilities in a different currency (£). Currency risk was the risk that the investment value will be affected by changes in exchange rates. The Group was exposed to currency risk as a result of having a subsidiary that operated in the Netherlands with share capital denominated in Euro. The subsidiary, O-Re Holdings (Netherlands) BV was placed in voluntary liquidation in September 2011 and was officially struck off the companies register in January 2012.

Liquidity Risk

Liquidity risk is the risk that the group can not meet its debts as they fall due. The Directors are in the process of negotiating a final settlement with the Company's creditors.

7. **Share capital**

	31 Dec 11 £	31 Dec 10 £
Allotted, called up and fully paid equity shares		
88,615 ordinary A shares of £1 each	88,615	88,615
35,040 ordinary B shares of £1 each	35,040	35,040
7,247 (2010: 7,247) ordinary C shares of £1 each	7,247	7,247
	<u>130,902</u>	<u>130,902</u>

All types of ordinary share shall rank *pari passu* in all respects except that the ordinary C shares have no voting rights attached to them.

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8. Reserves and reconciliation of movement in shareholders' funds

8.1 Group

	Share capital £m	Profit and loss account £m	Shareholders' funds £m
At 1 January 2010	0.1	(65.4)	(65.3)
Profit after tax for the year ended 31 December 2010		4.8	4.8
At 31 December 2010	0.1	(60.6)	(60.5)
Loss after taxation for the year ended 31 December 2011		(7.0)	(7.0)
At 31 December 2011	0.1	(67.6)	(67.5)

8.2 Company

	Share capital £m	Profit and loss account £m	Shareholders' funds £m
At 1 January 2010	0.1	(98.1)	(98.0)
Profit after taxation for the year ended 31 December 2010	-	5.4	5.4
At 31 December 2010	0.1	(92.7)	(92.6)
Profit after taxation for the year ended 31 December 2011	-	25.1	25.1
At 31 December 2011	0.1	(67.6)	(67.5)

9 Creditors: amounts falling due within a year

9.1 Company

	31 Dec 11 £m	31 Dec 10 £m
Letter of Credit Fee	0.1	0.1
Other accruals – loan interest on loans to external parties	4.9	
Loans due to external parties	90.2	90.2
Loan from Subsidiary	-	32.5
	95.2	122.8

On 24 November 2009, the directors of the Company reached agreement with the providers of the loan finance ("Lenders") that interest would cease to accrue from 2nd September 2009. The interest resumed being accrued from the 27 April 2011. There were no capital repayments in the period to 31 December 2011, in relation to the £52.5m and £20.0m loan facilities. The Lenders also agreed to endeavour to reach agreement that will see the Lenders accept the shares held in Phoenix Group Holdings following the disposal of Opal Reassurance Limited as full and final settlement of the loan facilities.

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9 1 Company (continued)

On 1 August 2012 the directors of O-Re UK Holdings Limited made a partial repayment against the outstanding loans amounting to £4.2m. On 28 August 2012 the company completed the transfer of its holding in 4.6m shares in Phoenix Group Holdings to each of its lenders under the Loan agreements on a basis proportionate to their outstanding debt.

9 2 Group

	31 Dec 11	31 Dec 10
	£m	£m
Loans due to external parties	90.2	90.2
Other creditors including taxation and social security	0.1	0.4
	<u>90.3</u>	<u>90.6</u>

10. Notes to the cash flow statement

10 1 Reconciliation of (loss)/profit on ordinary activities to net cash inflow/ (outflow) from operating activities

	Year ended 31 Dec 11	Year ended 31 Dec 10
	£m	£m
Profit/(Loss) on operating activities	(6.8)	4.8
Adjustments for financing items and items not involving movements of cash		
Decrease/(increase) in debtors	0.2	(0.2)
(Decrease)/increase in creditors	(0.3)	0.3
Increase/(decrease) in accruals	4.8	(0.1)
Fair Value Adjustment on investment	4.0	(3.7)
Foreign currency translation reserve	(0.3)	
Scrip Dividends (Non Cash Dividends)	(0.8)	(0.4)
Net cash Inflow (outflow) from operating activities	<u>0.8</u>	<u>0.7</u>

10 2 Analysis of cash holdings included in the Consolidated Balance Sheet

	31 Dec 11	31 Dec 10
	£m	£m
Cash at bank and in hand	3.2	2.4
Total cash holdings	<u>3.2</u>	<u>2.4</u>

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10.3 Movements in cash holdings and borrowings

	Cash holdings £m	Borrowings £m	Total £m
At 1 January 2011	2.4	(90.2)	(87.8)
Shareholder cash flows in respect of operations	0.8	-	0.8
At 31 December 2011	<u>3.2</u>	<u>(90.2)</u>	<u>(87.0)</u>

11. Subsidiary

The subsidiary undertakings of the Group are as follows

	Country of incorporation and principal place of operation	Class of shares held
O-Re Holdings (Netherlands) BV (holding company)	Netherlands	100% of €1 ordinary shares and voting rights

The subsidiary, O-Re Holdings (Netherlands) BV was placed in voluntary liquidation in September 2011 and was officially struck off the companies register in January 2012

12. Related party transactions

Xercise Ltd is a related party by virtue of it having common directors

On 25 April 2007 the Company received a loan of £52.5m from various third parties. £39.75m of this loan was received from Xercise Limited, a company in which H E M Osmond is a director. A further £12.2m of this loan was received from TDR Capital Nominees Limited, an investing entity.

On 30 May 2008, Xercise Limited and TDR Capital Nominees Limited entered into an agreement to provide the option to grant a letter of credit facility arrangement with the Company. The letter of credit facility was for £20.0m. Xercise Limited agreed to provide £15m and TDR Capital Nominees Limited agreed to provide £5.0m. The option to grant the letter of credit facility resulted in a fee of £0.1m being charged to the Company for this arrangement and this remains outstanding at 31 December 2011.

On 3 October 2008, the Company exercised the option for the letter of credit arrangement to be granted. For the period that the letter of credit was granted but not drawn, an interest rate of 1% was charged up to 2nd September 2009. On 29 December 2008, the Company drew down on the letter of credit arrangement resulting in a loan of £15.0m being granted by Xercise Limited and £5.0m from TDR Capital Nominees Limited.

Interest on the outstanding loans has been accrued (during 2011 at 8%) from advance date until 31 December 2011 (other than for the period from 22 September 2009 until 26 April 2011 during which period no interest was charged or accrued as a result of a debt standstill agreement between the company and the creditors). As at 31 December 2011 the total amount outstanding was £94m which includes £4.8m of accrued interest.

13. Post balance sheet events

On 5 September 2011, the Company proceeded with the voluntary liquidation of its wholly owned subsidiary, O-Re Holdings (Netherlands) BV. O-Re Holdings (Netherlands) BV was officially struck off the companies register on 31 January 2012.

On 1 August 2012 the directors of O-Re UK Holdings Limited made a partial repayment against the outstanding loans amounting to £4.2m. On 28 August 2012 the Company completed the transfer of its holding in 4.6m shares in Phoenix Group Holdings to each of its lenders under the Loan agreements on a basis proportionate to their outstanding debt.