2014

AIG Europe Limited

Annual Report & Financial Statements

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American International Group, Inc. (AIG) is a leading international insurance organisation serving customers in more than 130 countries and jurisdictions.

AIG companies serve commercial, institutional and individual customers through one of the most extensive worldwide property-casualty networks of any insurer.

In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

AIG Europe Limited is one of the largest property-casualty insurance companies by gross written premium in the UK. The Company is the largest US headquartered property-casualty insurer in Europe.

AIG's businesses have over 65 years of experience in Europe and are proud to offer AIG's innovative and tailored products and solutions to our customers in 26 European countries.

Chief Executive's Statement

In 2014, the Company made significant progress towards its long-term goals of being the most valued insurer in its target markets by introducing a new networked way of working to drive innovation, collaboration and a sharper focus on customer's needs.

2014 Company Performance

Competition within the insurance market has remained keen in the last financial year; capital remains abundant and pricing has continued to soften. In this environment, a close focus on underwriting discipline and risk-adjusted profitability remains vital.

We are fortunate that the European market represents tremendous diversity both in terms of product demand and the pace of economic development and growth. We have increasingly embraced a network model across the region to integrate businesses, encourage collaboration, and share skills, expertise and ultimately risk. A summary of our financial performance is included in the Strategic Report.

Building for the Future

Across Europe, 2014 saw an ongoing focus on improving our ability to help clients and brokers by creating solutions to new risk transfer needs, delivering greater insight into the risk environment and simplifying access to the full capability of AIG.

The power of 'big data'

The collection and analysis of data is a key focus for our business. The business holds a wealth of data and in every part of our business there's an opportunity to make smarter and better decisions by looking at what the evidence is telling us as well as relying on the art of individual judgement. We have always believed in attracting and retaining the best underwriters in the business. Our objective is to give them the best tools in the business and to support this aim we have made a significant investment in our Science team.

Sharing knowledge and experience

Client Engagement teams in Europe have, over the last 18 months, led the inaugural AIG Risk Management Academy (ARMA) – an educational programme designed to equip leading risk management professionals with the tools and knowledge to thrive in today's changing business environment. ARMA supports AIG's vision to help our partners to fully capitalise on our expertise and deliver beyond insurance, which means providing not only financial recompense in the event of a loss but also access to relevant support services. 2014 also saw the launch of our innovative 'Beyond Insurance' app – an interactive, web based application to guide clients in Europe to the expert services attached to our products. These services help them to safeguard assets, whether they are financial, physical, human, or intellectual.

Access all areas

Creating simpler access to our organisation has been an important goal in the last 12 months. Our revised organisation design is centred on a regional office focussed on strategic leadership alongside a consistent and simplified Zone and Country operation structure across Europe. This has improved our ability to develop and share best practice across the Company, understand where to invest and enable our front line practitioners to be more focussed on client needs analysis which in turn influences the development of our business strategies.

Outlook for 2015

The global and regional economic picture remains challenging, with many European countries still seeing sluggish growth and many resource-rich countries suffering from falling prices and an uncertain geo-political outlook. Nevertheless, AIG Europe Limited believes that the depth and breadth of our business will allow us to find targeted growth opportunities in selected business lines or particular geographies, helping us to earn high value business, devote capital to the right opportunities and advance trust in AIG with all of our stakeholders.

Chief Executive Officer
Seraina Maag

Strategic Report

The directors present their Strategic Report on the Company for the year ended 30 November 2014.

The Company has a clear vision: to be the most valued insurance company in our target markets. To achieve this, we aim to deliver value to all of our stakeholders: customers, brokers, employees, regulators, the communities in which we work and shareholders.

Vision and Strategy

At the heart of our approach is building strong relationships with our customers and brokers, delivering excellent service at every stage of the process; from providing quotations to swift and effective claims management. Our networked organisation which drives collaboration and knowledge sharing across the Company will enable us to bring our full capabilities to bear in solving the problems our customers face.

We aim to understand and anticipate our client's changing requirements and provide innovative products. During the year, we took major steps towards the goal of One AIG in the structuring of the business to balance growth, profitability and risk. The coming year will see an increasing external focus to our activity as we move forward to deliver the full benefits of AIG to our clients and brokers across our region and around the world.

Our Company makes a full and active contribution to the corporate citizenship agenda of AIG, including philanthropy, support for communities, and a commitment to diversity and inclusion. Further details can be found on AIG.com.

Business Strategy

The Company's business strategy is aligned to AIG's global strategy, which has four key themes:

Improving our cost structure to simplify the business and empower our employees

It remains imperative that we operate more simply and in ways that bring us closer to our customers. We will make decisions more quickly and ensure that our employees are empowered to make decisions at the right levels of the Company.

Improving our technology infrastructure and end-user experience

We appreciate the critical role that technology plays in our business, and we will understand and deliver on ways that our Company can use technology to better serve customers and distribution partners, increase productivity, reduce expenses, and better position us against our competitors.

Concentrating on activities that increase intrinsic value and sustainable profitability

We are to devote our time, effort, and resources to those activities and opportunities that our customers most need and want – and that earn us the most profitable returns over the long term. This is "Value-Based Management", and it's how we need to run the Company.

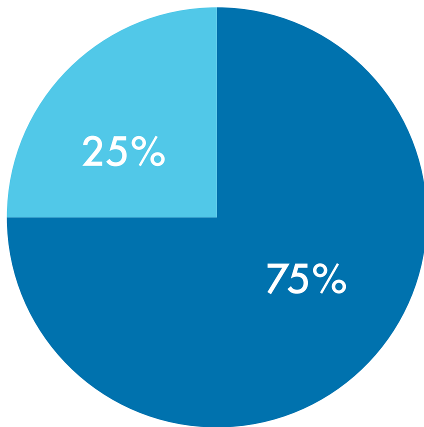
Improving our customer focus

We will continue to demonstrate empathy towards our customers and understand their challenges. We will focus on working together, across boundaries and different perspectives, to solve their problems. Once we understand their issues holistically, we can apply our risk expertise and financial strength to provide solutions they truly value and give them confidence in the future.

Serving the Customer

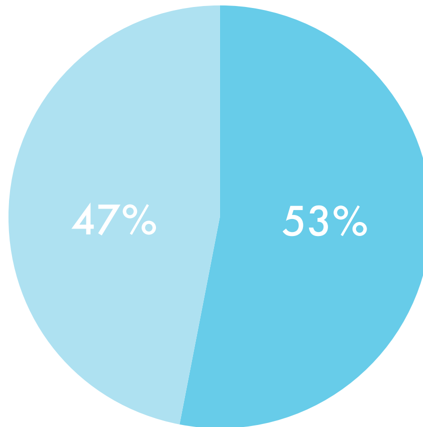
The Company's operations are organised into commercial and consumer insurance, with a diverse product offering sold via a multitude of channels. The charts below illustrate the mix of Net Premiums Written in 2014.

2014 Net Premiums Written
By Operating Segment



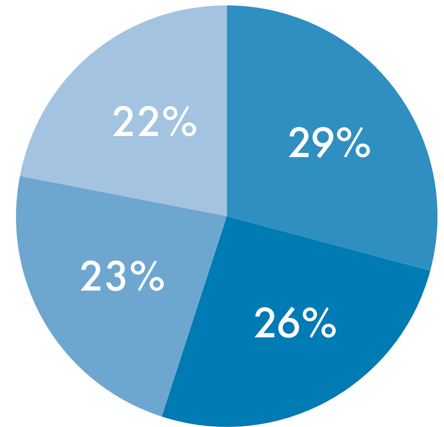
Commercial insurance £2,602m (75%)
Consumer insurance £885m (25%)

Consumer
Net Premiums Written



Personal Accident £469m (53%)
Personal Lines £416m (47%)

Commercial
Net Premiums Written



Financial Lines £764m (29%)
Casualty £667m (26%)
Property £594m (23%)
Specialty £577m (22%)

The **Consumer** business provides insurance solutions to individuals, employers and groups through multiple distribution channels and aims to become the premier provider of consumer insurance in our chosen markets.

The product mix during 2014 was as follows:

Personal Accident:

Includes voluntary and sponsor-paid personal accidental and supplemental health products for individuals, employees, associations and other organisations. It also includes travel insurance products and services for leisure and business travellers.

Personal Lines:

Comprises of the following business lines:

- **Personal Property:** Offers a very wide suite of products for individual consumers – ranging from 'simple contents' policies for renters, to high-net-worth solutions for the wealthiest of clients. Cover is provided for buildings, contents, personal possessions, art and jewellery collections as well as marine insurance for personally owned boats of any size.
- **Personal Auto:** In all the countries Personal Auto operates, auto is the subject of compulsory insurance in respect of third party liability. The portfolio consists of a mixture of personal insurance offerings for private passenger autos, small commercial vehicles and a limited amount of private hire/taxi business and fleet business. Our risk appetite varies between specific niche programmes and broad-market activity via broker, agency, sponsor and direct distribution channels.
- **Service Programmes:** Includes a diverse range of personal 'value added' insurances. Auto and Personal Property pillars include extended warranty (for both electricals and furniture), mobile phone insurance, spectacle and hearing aid insurance, crash damage waiver excess, tyre damage cover, lost keys, wallet guard, handbag cover, identity theft and others.

The **Commercial** business provides insurance solutions to the full spectrum of enterprises, from large, multinational and mid-sized companies to small businesses, entrepreneurs and non-profit organisations.

The product and service offerings encompass both traditional product types such as general liability, property and financial lines, and highly specialised ones for political risk, cyber security, the aviation industry, and crisis management.

The product mix during 2014 was as follows:

Property:

Includes commercial property, energy and engineered risks.

Commercial property offers insurance cover for material damage and business interruption on an all risks and specific perils basis. The business insures some of the world's largest and most complex organisations.

Energy and Engineered Risk segment provides comprehensive package insurance cover for offshore and onshore oil exploration, power generation, oil and petrochemical, chemicals and pharmaceuticals, mining and construction.

Casualty:

Casualty provides both traditional and complex insurance solutions on a primary and/or excess basis for diverse businesses with local or global risk exposures.

Dedicated Casualty underwriting, risk consultant and claims teams operate in all key regional insurance markets as well as at Lloyds.

Primary and Excess Casualty solutions comprise Public, Products and Employers Liability insurances and single country or cross border Commercial Auto Fleet. Casualty also includes Crisis Management insurance for Product Contamination/ Recall, providing both asset and liability protection following a product recall, malicious product tamper or extortion event.

Financial Lines:

Provides protection for a diverse range of organisations worldwide.
Management liability products include Director's and Officer's Liability, Employment Practices Liability, Pension Trustee Liability and Crime insurance, offering protection for claims brought against directors, officers and senior employees for actual or alleged breach of duty, neglect, misstatements, errors or omissions.

Professional Liability protects professionals in the event of claims arising from errors and omissions. Professionals include architects, engineers, accountants, lawyers, and insurance brokers.

Commercial PI/Fidelity includes professional liability policies issued to commercial banks, insurance companies and other financial institutions to cover claims alleging failure to render professional services and commitment of errors and omissions in the execution of professional services.

Specialty:

Comprises of the following businesses:

- **Aerospace** – insurance solutions for the global aviation and space industry, encompassing the spectrum of coverage required by aircraft operators, manufacturers and ground service providers.
- **Package** – products are designed for the SME market and provide extensive cover and services, including property and casualty.
- **Environmental** – includes third-party liability and first party on and off-site clean-up costs, biodiversity damage plus defence and mitigation costs.
- **Political Risk** – solutions to enable companies to manage the risk of disruption after a political event that may be associated with their international business operations.
- **Trade Credit** – provides comprehensive excess of loss cover for non-payment of goods and services supplied on credit due to the insolvency or default of a buyer, a political event or inability to transfer contract currency exchange transfer controls.
- **Marine** – cargo transportation products and handling services worldwide, policies include cargo, hull and marine liability.
- **Surety** – provides protection to public and private sector clients against the inability of contractors and service providers to fulfil contractual obligations.

Risk Solutions:

Offers to clients alternative insurance and reinsurance solutions, which address complex, unusual or difficult-to-address risk that are either not addressed or addressed inefficiently by the traditional insurance or financial markets.

Financial Performance

Overview

Economic activity continued to be challenging during the year though net premiums written were broadly stable due to our diverse portfolio. We distribute a broad product offering through a mixture of mature and developing businesses throughout Europe and reported a resilient performance against the backdrop of intense competition and rate pressure. With high capital levels across the industry, rate pressure and competition was a constant theme, however we remain confident that with strategic and operational initiatives in place we are well positioned to continue to meet our customers' needs.

Our core competence as a business is to serve our customers; to settle claims and to empathise and support them throughout the process. During the year we benefited from lower levels of catastrophe claims but experienced high attritional and large losses in the aerospace sector.

Improved total investment performance was offset by a lower underwriting result to produce a profit on ordinary activities before tax of £406.5 million (2013: £558.2 million). The full results of the Company are on page 26. Total comprehensive income for the year of £298.7 million (2013: £327.9 million) has been transferred to reserves. At 30 November 2014, total equity of the Company, on page 27, totalled £3.46 billion (2013: £3.21 billion).

Key Performance Indicators

The Board has identified the following as being the Key Performance Indicators (KPIs) for the business. These KPIs are reviewed through the quarterly Board meetings.

	2014	**2013**
Net Premiums Written	**£3,487.0m**	£3,481.3m
Profit Before Tax	**£406.5m**	£558.2m
Net Loss Ratio	**62.6%**	55.7%
Combined Ratio (COR)	**98.4%**	91.1%
Underwriting Result	**£59.6m**	£296.3m

Company Profitability

Net Premiums Written were broadly stable at £3,487.0 million (2013: £3,481.3 million). A favourable performance in the commercial sector was offset by the difficult conditions affecting consumer business. Expenses were marginally higher at £1,361.4 million (2013: £1,341.6 million) with a more efficient acquisition base being offset by an increase in the underlying cost base. Adverse claims experience in the aviation sector saw higher net claims of £2,129.5 million (2013: £1,857.7 million) which had a negative impact on the combined ratio and underwriting result, which was down to £59.6 million (2013: £296.3 million).

Financial Strength

The positive investment performance during the year has increased the capital position of the Company with total equity increasing to £3,458.5 million (2013: £3,210.1 million).

Risks to Our Business

The Company is exposed to a range of financial and other risks in carrying out its core business of the provision of insurance and related activities. The policies and framework that the Company has put in place to identify, monitor and manage these risks are set out in the Risk Management Report on page 12.

In addition, quantitative and qualitative information regarding the components of insurance, financial, credit, liquidity and operational risk are set out in Note 6 to the financial statements on page 43.
In particular the Company's exposures to currency risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Credit Risk' and 'Liquidity Risk'.

An analysis of the critical accounting estimates and judgements made by the directors in determining the results and Statement of Financial Position of the Company is presented in Note 4 to the financial statements on page 40.

On behalf of the Board
25 February 2015

Chief Executive Officer
Seraina Maag

Risk Management Report

A strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability.

Risk Management Framework

The Company believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. We achieve this through a risk culture articulated by the Enterprise Risk Management (ERM) senior leadership and embodied by management at all levels through our governance structure and risk management processes.

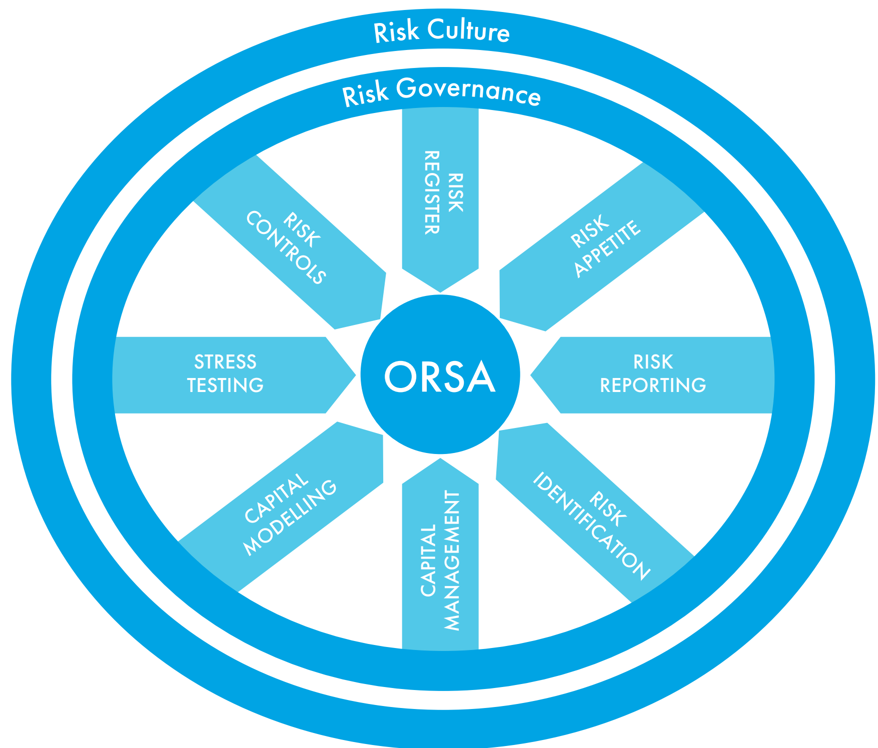
The Company's approach to risk-taking is quantified through its risk appetite statement which aligns the Company's strategic business goals against the risks it faces, ensuring that these risks are maintained at levels consistent with our financial resources. This, in tandem with continuous management and monitoring of the Company's capital position, ensures that the Company continues to manage its business in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value for the Company's shareholders.

The Company's adherence to its quantified risk parameters is supported by ongoing risk identification exercises conducted across AIG, the outputs of which are documented within our standing risk register framework, which captures the material risks that the Company faces. The Company's identified risks are managed through the application of a set of regional Level 2 'Statements of Operating Standards', which align to AIG's global corporate policies and define risk management processes and controls adopted across our business.

The impact of these risk management and risk mitigation activities is given appropriate context through the utilisation of risk management information, which includes the results of our stress testing programmes as well as periodical risk reporting assessments provided to the Company's executive risk committees, thereby allowing senior management to take the appropriate decisions required to manage the Company as a risk-aware business.

Risk Management Framework

The Company's Board, through its sub-committee, the Board Risk Committee, has ultimate responsibility for development and oversight of the risk management framework. The Board delegates the management of risks within the Company's risk appetite and the risk governance framework to the Risk and Capital Committee(RCC). The RCC escalates matters of importance to the Board as needed. A diagram covering the key aspects of AIG Europe Limited's Risk Management Framework and how they feed into the "Own Risk & Solvency Assessment" (ORSA) is provided to the right.



The Risk Management Framework supports the identification, measurement, management, monitoring and reporting of our major risk groupings, which include but are not limited to:

- **Insurance Risk**
- **Liquidity Risk**
- **Operational Risk**
- **Market Risk**
- **Credit Risk**
- **Business and Strategy Risk**

Risk Governance Structure

Underpinning the Company's risk culture is a risk governance structure that encompasses its principal business operations and risk areas and defines a framework of risk committees, risk reporting and risk controls embedded throughout the business.

The current risk governance structure provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed at a regional level, utilising outputs from the Economic Capital Model (ECM), where appropriate.

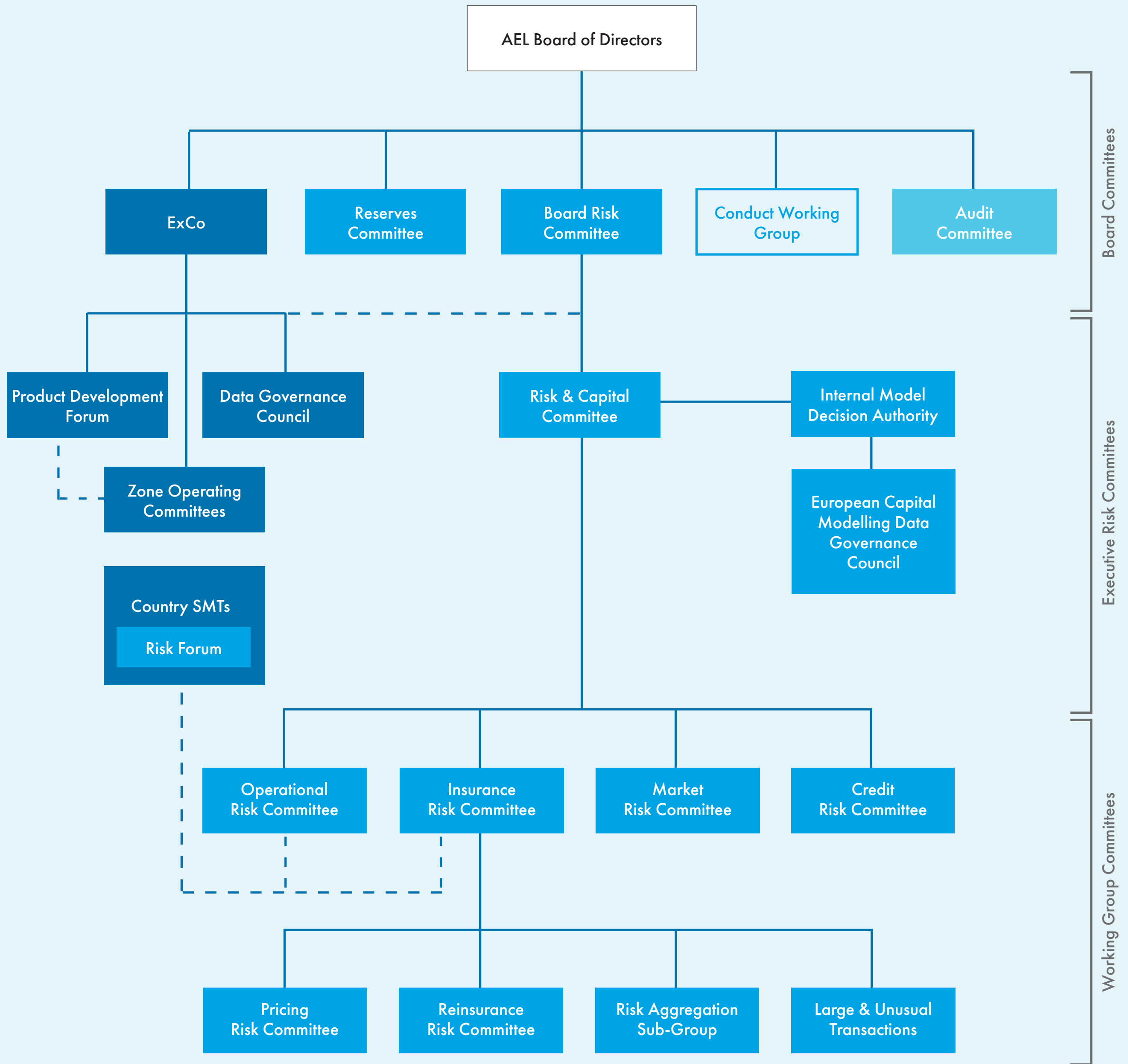
The organisation chart opposite provides a high-level overview of AIG Europe Limited's risk governance structure.

The governance structure has three distinct levels of committees: Board committees, Executive Risk committees and Working Group committees and is designed to support AIG Europe Limited's efforts in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of these committees has a distinct role to play within the Company's risk governance framework.

The ExCo

The Executive Committee (ExCo) has responsibility for developing and implementing strategy for, and managing operational issues relating to, the insurance companies designated as part of the AIG Europe, Middle East and Africa region. It is responsible to the Board for the day-to-day management of the Company and oversight of management of the other legal entities in the region. It develops strategy (for example, through annual business and capital plans), proposes the strategy to the Board, and once approved, implements it. As an executive body, ExCo forms part of the first line of defence.

AIG Europe Limited's Risk Governance Structure



Responsibilities of the Executive Risk Committees

The Executive Risk Committees currently comprise the Risk and Capital Committee (RCC), which reports to the Board, via the Board Risk Committee, and to the Company's Executive Committee (ExCo). The RCC is authorised by the Board to implement, manage and control the risk management framework of the Company.

In order to fulfil this wide-ranging responsibility, the RCC has delegated responsibility to four risk specific committees (Insurance, Market, Operational and Credit) to monitor and manage the Company's risk profile in each of these areas at a more granular level. Each committee is chaired by a member of the ExCo. Other members include relevant European business heads, risk experts from ERM and actuarial experts from the ECM team.

The Executive Risk Committees share three core responsibilities:

1. **General Risk Oversight**
   Responsibility for the identification of new and emerging risks, reviewing Risk MI to determine the likelihood of risks crystallising, continually reviewing and updating risks and associated mitigating controls within the AIG Europe Risk Register and discussing loss events, with a view to determining remediation plans in order to minimise the severity and frequency of such events.
2. **Internal Model Oversight and Validation**
   Responsibility for providing oversight over the ECM, with a view to ensuring that the model's design, implementation and resultant outputs are and continues to be appropriate for direct business decision making and aligns with business knowledge and recent experience.
3. **Monitoring of the Risk Profile**
   Responsibility for monitoring and taking business decisions on the current and future risk profile that relates to their respective risk area, in order to maintain compliance with the Company's risk appetite.

Responsibilities of Working Group Committees

There are a number of working risk committees that focus on particular aspects of Insurance Risk and report up to the Insurance Risk Committee on any recommendations and findings undertaken as a result of the execution of their responsibilities. The responsibilities of each committee are as follows:

- **Pricing Sub-Group**
  To ensure underwriting adherence to technical pricing, to drive improvements in rating strength and pricing integrity and to monitor and analyse the pricing risk profile of AIG Europe Limited.
- **Reinsurance Sub-Group**
  To set the reinsurance strategy and to determine reinsurance treaty structures.
- **Risk Aggregation Sub-Group**
  The aggregation and analysis of risk accumulation of key perils.

In addition, the Company has a Large and Unusual Transaction (LUT) referral group in place, which convenes to consider transactions that meet or exceed set trigger levels in relation to the risk profile before the Company becomes committed. The LUT is an ad-hoc meeting of the Risk and Capital Committee.

Local Risk Forums

Local offices play a key part in the risk framework, being a source of emerging issues which have the potential to impact upon the risk landscape of the Company. Each of these local country branch offices are aligned to a networked zone led by a Zone Operating Committee, which has a responsibility to manage the business of the Zone within the limits of the mandate delegated to it by the ExCo.

In order to achieve this objective, each Zone Operating Committee is supported by a local country Senior Management Team (SMT), which acts as a "Country Risk Forum" with responsibility for the monitoring and management of controls of all risk types arising at country level, most notably operational risk and insurance risk.

Country SMTs are also responsible for identifying emerging risks that could affect the business in that country, and analysis of large losses/risk events.

ERM's Zone Risk officers are responsible for co-ordinating the escalation of risk reporting, including the production of Zone Risk Hydras, from the local country SMT to the Zone Operating Committee, who will then consider application of executive action to address risks, or to escalate issues to the ExCo as appropriate. To ensure that risk lessons are learned regionally from the outputs of country SMTs, key risk items, such as risk events and new emerging risks, are reported by the Zone Risk Officer to the relevant Executive Risk Committee.

Risk Culture

The Company has an ongoing commitment towards maintaining an effective risk culture, as it is critical to our success in maintaining and developing an effective risk management system.

The five key elements which underpin the risk culture are:

1. **Visible Leadership**
   Senior management takes an active role in promoting the risk management framework.
2. **Communication**
   Internal communication to all levels of management and staff to describe and inform (to an appropriate level of detail) the risk framework (strategy, governance), risk policies/procedures and the Company risk profile.
3. **Involvement**
   Appropriate contribution at all levels of management and staff to the processes of identifying, assessing, managing, monitoring and reporting risks.
4. **Compensation**
   Alignment of incentives to risk management objectives and use of risk adjusted performance measures to evaluate performance.
5. **Professional Development**
   Provision of information and appropriate levels of training to elevate individual competencies, and thereby organisational capabilities, in risk management across AIG.

All AIG Europe Limited employees have a responsibility to manage risk, and we utilise the 'Three Lines of Defence' model for risk management:

First Line of Defence: Senior Management (executive/business/operational) along with all staff in the organisation are responsible for implementing and maintaining the controls necessary for achievement of the Company's strategic and business objectives, the ownership and management of its inherent risks, its compliance with corporate standards and its legal and regulatory obligations. In this context, senior management are risk takers and hence form the 'First Line of Defence' against failure.

Second Line of Defence: The oversight functions (ERM, Compliance and SOX) are responsible for monitoring the effectiveness of risk controls and for reporting their weaknesses or failures to the relevant risk committee including where necessary, the RCC. In this context, these functions are the 'Second Line of Defence' against failure. ERM also partners with the business in providing advice, guidance and challenge in managing their risks.

Third Line of Defence: Audit provides the Third Line of Defence by providing independent assurance to the Board, through the Audit Committee, regarding the effectiveness of the First and Second Lines of Defence.

The Company believes that an effective risk culture must achieve an effective blend of both constraints and incentives. The Company continues to develop and enhance the tools supporting the risk culture, including participation in the development of the global 'Risk Insights' publication, aimed at providing senior staff within the business with a deeper understanding of AIG's risk management operations and risk themes.

Risk Appetite

The Company's risk appetite statement defines the level of risk that it is prepared to accept in pursuit of its business objectives. In particular, it describes the relationship between risk and reward.

In approving the risk appetite statement, the Board defines parameters within which the Company should operate. It provides a framework against which the business must report to the Board and lower level risk committees on the current risk profile of the Company. This in turn provides assurance that the current risk profile sits within the appetite and where this is not the case, to identify the breach, explain the causes and propose remediation.

The Risk Appetite Framework integrates stakeholder interests, strategic business goals and available financial resources. AIG Europe Limited intends to balance these interests, goals and resources by taking measured risks that generate repeatable, sustainable earnings and produce long-term value.

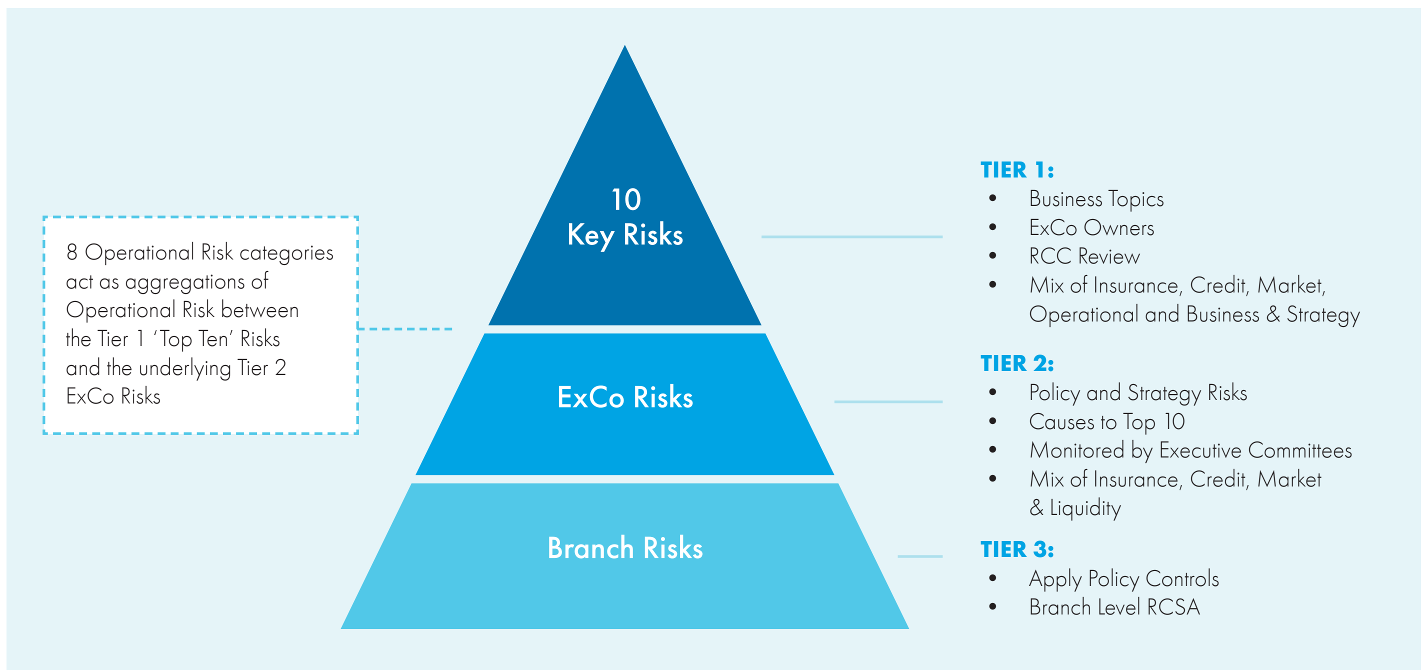
The Risk Appetite Framework includes a Statement of Risk Appetite and a set of supporting tools employed to manage its risk profile and financial resources. Specifically:

- A Statement of Risk Appetite that articulates the Company's philosophy and principles of risk taking in relation to its strategic and business objectives;
- A set of Risk Tolerances on capital and liquidity measures as quantitative measures of its aggregate risk taking;
- A Risk Limits Framework to quantitatively monitor, measure and control risks that are core to our operations; and
- Control measures including policies and procedures that set standards on practices for the taking and management of risks, including risks that are inherent to its operations but are not compensated for. The Company has adopted AIG Parent's policies and procedures.

AIG Europe Risk Register

The risks identified at Tier 2 and Tier 3 levels are designed to align to the 'Top Ten' key risks identified for Tier 1. This enables the Company to maintain a dynamic, interactive risk register structure, where issues or developments within specific risks at a certain level are discussed and taken into account for relevant risks within the other tiers, regardless of whether they are at a Europe-wide or local level. This also allows the Company to better reflect the dynamic, ever-changing risk landscape that it currently operates within. A diagram of the three levels of risk is provided below for illustration purposes.

AIG Europe Risk Register Structure



The Company currently has in place a three-tier structure for the capturing, discussion and assessment of risks. The current three-tier structure is described below.

TIER 1

Comprised of the 'Top Ten' key risks, spanning the whole of the Company's operations. These risks are owned at RCC level.

The 'Top Ten' Key Risks

The 'Top Ten' risks are designed to align to the five main risk categories of Insurance, Market, Operational, Credit and Business/Strategy Risk. This allows the Company to produce risk dashboards for the RCC, ExCo and BRC covering all of the 'Top Ten' risks, as well as a more detailed report for each relevant Risk Committee.

TIER 2

Comprised of Granular ExCo risks, owned and managed through the Risk Committees at Europe level.

The 'ExCo' Risks

The 'Top Ten' key risks within Tier 1 are then broken down into more granular ExCo risks. These ExCo risks are managed by the respective Insurance, Market, Credit and Operational risk committees, with cross-cutting Business/Strategy Risks managed at the AIG Europe Limited RCC. Each of these risks have a number of potential causes and controls which require review and management, interacting with global and regional support functions as well as branch operations. These ExCo risks are supported by specific tailored Key Risk Indicators for use in committee decision making.

TIER 3

Comprised of 24 Branch risks which are managed at a local branch level.

Branch Level Risks

All AIG Europe Limited branches manage, assess and report on a suite of branch risks, which broadly aligns to the Tier 2 ExCo risks. All AIG Europe Limited branch countries share a core set of branch risks in common, although each branch will have the option to include a small number of temporary 'hot topic' risks following consultation with ERM. This allows individual branches to manage these risks and associated mitigation plans in a detailed manner that is aligned to the operational and regulatory environment that each branch operates in.

Board of Directors and Advisers

Directors

M Bowers	Independent Non-Executive Director
J Bracken	Group Non-Executive Director
T Colraine	Executive Director
A Hope	Chairman and Independent Non-Executive Director
C Kampmann	Independent Non-Executive Director
J Lenton	Chief Financial Officer
S Maag	Chief Executive Officer
J- M Nessi	Independent Non-Executive Director
J Shephard	Group Non-Executive Director
G Stratts	Group Non-Executive Director
P Tromp	Independent Non-Executive Director

Company Secretary
C Newby

Registered Office
The AIG Building
58 Fenchurch Street
London
EC3M 4AB

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
7 More London Riverside
London
SE1 2RT

Principal Bankers
Citibank NA
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Investment Advisers
AIG Asset Management
(Europe) Limited
The AIG Building
58 Fenchurch Street
London
EC3M 4AB

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 November 2014.

The depth and breadth of our business will allow us to find targeted growth opportunities in selected business lines or particular geographies.

Directors

The names of the current directors are listed on page 19. During the year, the following resignations and appointments took place:

T Colraine	Resigned 31 December 2014
J Lenton	Appointed 12 November 2014
S Maag	Appointed 27 May 2014
N Walsh	Resigned 30 September 2014

On 12 November 2014, Mr. Colraine resigned as Chief Financial Officer but continued to serve on the board as an Executive Director until 31 December 2014. On 30 September 2014, Mr. Walsh resigned as Chairman and as a Director and was replaced by Mr. Hope as Chairman who was appointed to this role on 1 October 2014 in addition to serving as an Independent Non-Executive Director.

Dividends

Dividends of £62.0 million were declared and paid in the year (2013: £385.0 million). Following consent from the regulator in December 2014, a further dividend of £314.0 million was declared and paid. This is disclosed in note 40.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Disclosure of Information to Auditors

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director in office at the date this report is approved, confirms that:

(a) so far as each of them is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each of them have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Financial Investments

The Company's financial risk management objectives and policies are set out in Note 6 to the financial statements on pages 43 to 50.

European Branches

The Company operates a branch structure with operations in 26 (2013: 26) territories across Europe. A zonal structure is in place for internal management with countries organised across six zones by geographic location.

Future Developments

The Company believes that the depth and breadth of our business will allow us to find targeted growth opportunities in selected business lines or particular geographies, helping us to earn high value business, devote capital to the right opportunities and advance trust in AIG with all of our stakeholders.

Events After the Reporting Year

For known events occurring after 30 November 2014, details can be found in Note 40.

Employees

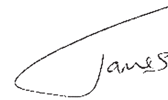
AIG Europe Limited is committed to attracting, developing and retaining a diverse and inclusive workforce in order to enhance our competitive position in the global marketplace. We will accomplish this by preparing our leaders to lead a diverse workforce, enhancing the diversity and cultural competence of our employees and building an inclusive, respectful and productive workplace.

Independent Auditors

The Company has, by election resolution, dispensed with the appointment of auditors annually and subject to the terms of their appointment, PricewaterhouseCoopers LLP are deemed to continue in office until the said resolution is revoked.

On behalf of the Board
25 February 2015

Chief Financial Officer
James Lenton



Independent Auditors' Report

Independent Auditors' Report to the members of AIG Europe Limited

Report on the Financial Statements

Our opinion

In our opinion, AIG Europe Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 November 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

AIG Europe Limited's financial statements comprise:

- the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 November 2014;
- the Statement of Financial Position as at 30 November 2014;
- the statement of Changes in Equity for the year then ended;
- the statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Other Matters on which we are Required to Report by Exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matthew Nichols
Senior Statutory Auditor
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
25 February 2015

IFRS Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 November 2014

	NOTES	2014 £'m	2013 £'m
Income:			
Insurance premium revenue	10	**4,736.5**	4,807.7
Insurance premium ceded to reinsurers	10	**(1,332.8)**	(1,476.6)
Net earned insurance premium revenue	10	**3,403.7**	3,331.1
Net investment income	11	**224.3**	225.3
Net realised gains on financial assets	12	**71.8**	26.1
Net unrealised gains/(losses) on financial assets at fair value through income	13	**-**	-
Other income	14	**197.6**	175.0
Total income		**3,897.4**	3,757.5
Expenses:			
Insurance claims	15	**(2,468.1)**	(2,326.3)
Insurance claims recovered from reinsurers	15	**338.6**	468.6
Net insurance claims	15	**(2,129.5)**	(1,857.7)
Net operating expenses	16	**(1,361.4)**	(1,341.6)
Total expenses		**(3,490.9)**	(3,199.3)
Profit before tax		**406.5**	558.2
Income tax expense	17	**(91.0)**	(174.8)
Profit for the year		**315.5**	383.4
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	33	**(18.3)**	9.0
		(18.3)	9.0
Tax on actuarial losses/(gains) on defined benefit pension schemes	17	**5.7**	(1.5)
Items that will not be reclassified subsequently to profit or loss after tax		**(12.6)**	7.5
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(32.6)**	10.5
Net fair value gains/(losses) on available-for-sale investments		**48.0**	(82.3)
		15.4	(71.8)
Tax on exchange differences on translation of overseas branches and fair value (gains)/losses on available-for-sale investments	17	**(19.6)**	8.8
Items that may be reclassified subsequently to profit or loss after tax		**(4.2)**	(63.0)
Other comprehensive income for the year		**(16.8)**	(55.5)
Total comprehensive income for the year		**298.7**	327.9

Total comprehensive income for the year is entirely attributable to equity shareholders of the Company and is derived from continuing operations. All amounts included within other comprehensive income, with the exception of actuarial gains and losses on defined benefit schemes and gains on revaluation of property, and associated tax, are potentially items that may be reclassified subsequently to the Statement of Profit or Loss.

The notes on pages 30 to 92 form an integral part of these financial statements.

Statement of Financial Position

As at 30 November 2014

	NOTES	30 November 2014 £'m	30 November 2013 £'m
Assets:			
Intangible assets	19	**11.9**	14.0
Investments in group undertakings	20	**161.4**	177.0
Property and equipment	21	**114.4**	118.9
Financial investments	22	**8,624.9**	8,477.5
Insurance contracts			
– Reinsurance assets	23	**2,862.9**	3,048.5
– Deferred acquisition costs	24	**253.5**	230.7
Deferred tax assets	34	**58.0**	58.5
Current tax assets	34	**63.1**	6.7
Other receivables, including insurance receivables	25	**1,601.6**	1,514.0
Cash and cash equivalents	26	**152.1**	443.0
Total assets		**13,903.8**	14,088.8
Equity:			
Share capital	27	**197.1**	197.1
Share premium	27	**1,260.3**	1,257.3
Other reserves	28	**207.1**	211.3
Retained earnings	29	**1,794.0**	1,544.4
Total equity		**3,458.5**	3,210.1
Liabilities:			
Insurance liabilities	30	**9,260.1**	9,163.6
Borrowings	31	**51.3**	51.5
Derivative financial instruments	32	**12.4**	58.1
Pension obligations	33	**60.0**	49.8
Deferred tax liabilities	34	**52.5**	39.8
Current tax liabilities	34	**65.1**	201.0
Other payables, including insurance payables	35	**943.9**	1,314.9
Total liabilities		**10,445.3**	10,878.7
Total equity and liabilities		**13,903.8**	14,088.8

The notes on pages 30 to 92 form an integral part of these financial statements.

The financial statements on pages 26 to 92 were approved by the Board of Directors on 25 February 2015 and signed on its behalf by:
James Lenton
Chief Financial Officer
25 February 2015

Statement of Changes in Equity

For the year ended 30 November 2014

	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
At 1 December 2012	103.4	779.3	140.1	432.3	1,455.1
Profit for the year	-	-	-	383.4	383.4
Other comprehensive income	-	-	(63.0)	7.5	(55.5)
Total comprehensive income for the year	-	-	(63.0)	390.9	327.9
Group reconstructions					
– AIG Europe Limited and Chartis Europe S.A. Merger	93.7	478.0	134.2	1,099.0	1,804.9
Dividend paid during the year	-	-	-	(385.0)	(385.0)
Share-based payments	-	-	-	7.2	7.2
At 30 November 2013	197.1	1,257.3	211.3	1,544.4	3,210.1
Profit for the year	-	-	-	315.5	315.5
Other comprehensive income	-	-	(4.2)	(12.6)	(16.8)
Total comprehensive income for the year	-	-	(4.2)	302.9	298.7
Dividend paid during the year	-	-	-	(62.0)	(62.0)
Group reconstructions	-	3.0	-	(1.3)	1.7
Share-based payments	-	-	-	10.0	10.0
At 30 November 2014	197.1	1,260.3	207.1	1,794.0	3,458.5

The notes on pages 30 to 92 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 November 2014

	NOTES	2014 £'m	2013 £'m
Cash flows from operating activities:			
Profit before tax		**406.5**	558.2
Adjustments for:			
Depreciation of property and equipment	21	**8.6**	7.0
Amortisation of intangible assets	19	**1.7**	2.9
Dividend income	11	**(5.0)**	(17.0)
Net realised gains on financial investments	12	**(71.8)**	(26.1)
Foreign currency exchange (gains)/losses		**(31.0)**	(11.5)
Other non-cash movements	37	**10.0**	7.2
Changes in working capital:			
Decrease in reinsurance assets		**407.7**	556.1
(Increase) in deferred acquisition costs		**(28.7)**	(37.4)
(Increase)/decrease in other receivables, including insurance receivables		**(109.9)**	246.3
Decrease in insurance liabilities		**(54.1)**	(332.8)
Increase/(decrease) in other payables, including insurance payables		**75.3**	(110.7)
(Increase) in net amounts receivable/payable to related parties		**(267.7)**	(133.3)
Cash generated from operations		**341.6**	708.9
Dividends received		**5.0**	17.0
Income tax paid		**(282.6)**	(143.4)
Net cash generated from operating activities		**64.0**	582.5
Cash flows from investing activities			
Group reconstructions, net of cash acquired	26	**47.9**	125.1
Net purchases of financial investments		**(169.9)**	(97.2)
Purchases of property and equipment		**(5.0)**	(90.9)
Purchases of intangible assets		**(0.2)**	(3.6)
Net cash used by investing activities		**(127.2)**	(66.6)
Cash flows from financing activities			
Dividends paid		**(62.0)**	(385.0)
Proceeds from other financing activities		**(163.0)**	163.0
Net cash used by financing activities		**(225.0)**	(222.0)
Net (decrease)/increase in cash and cash equivalents		**(288.2)**	293.9
Cash and cash equivalents at 1 December of previous year		**441.5**	133.4
Effect of exchange rate changes on cash and cash equivalents		**(2.5)**	14.2
Cash and cash equivalents at 30 November	26	**150.8**	441.5

The notes on pages 30 to 92 form an integral part of these financial statements.

In the Statement of Cash Flows changes in working capital and cash flows from investing activities do not include movements related to the acquisition of assets and liabilities from business combinations in the year. The net effect of this acquisition on the Company's cash flows for the year is shown as part of group reconstructions within cash flows generated by investing activities.

Notes to the Financial Statements

For the year ended 30 November 2014

1. GENERAL INFORMATION

AIG Europe Limited (the "Company") is incorporated in the United Kingdom and registered in England and Wales. The financial statements are presented in millions of pounds sterling, which is the Company's presentational currency. The functional currency of the UK operation is pounds sterling. As detailed in note 3.3 the Company's branches and separate and distinct divisions determine their own functional currencies.

The Company's immediate and ultimate parents are AIG Europe Holdings Limited and American International Group, Inc ("AIG") respectively. The Company is a multiple line insurance company writing substantially all lines of property and casualty insurance. Major lines of insurance written include commercial, personal and consumer, accident and health and specialty coverage.

The registered office and principal place of business is: The AIG Building, 58 Fenchurch Street, London EC3M 4AB. These financial statements have been authorised for issue by the Board of Directors on 25 February 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 NEW AND REVISED IFRSs AFFECTING AMOUNTS REPORTED AND/OR DISCLOSED IN THE FINANCIAL STATEMENTS

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for accounting years beginning on or after 1 December 2013.

Adoption of IFRS 13

IFRS 13 replaces existing guidance on fair value measurement into a single standard. The scope of the standard is broad and its requirements apply to the Company's financial instruments and other items required or permitted to be measured under IFRS with the exception of share-based payments (under the scope of IFRS 2, Share-based Payment), leasing transactions (within the scope of IAS 17, Leases), and measurements that, whilst bearing some similarity to fair value, are not defined as fair values such as value in use for impairment assessment purposes.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. In addition, IFRS 13 has extensive disclosure requirements.

The transition rules of IFRS 13 require prospective application from adoption. Other than the additional disclosures required, IFRS 13 has had no material impact on the amounts recognised in the financial statements.

Amendments to IAS 1, 'Presentation of Financial Statements' (as part of the 'Annual Improvements to IFRSs 2009-2011')

The Annual Improvements to IFRSs 2009-2011 have made a number of amendments to IFRSs. The amendments that would have potentially impacted the Company's financial statements are the amendments to IAS 1 regarding the presentation of financial information when an entity:
(a) applies a new accounting policy retrospectively, or
(b) makes a retrospective restatement or reclassification of items in its financial statements and the restatement or reclassification has a material impact on previously reported financial information. In these cases, a third Statement of Financial Position, as at the beginning of the earliest period presented is required to be presented. There has been no material restatement in the year and as such, a third Statement of Financial Position has not been presented.

The application of this amendment to IAS 1 has had no impact on the Company's financial statements.

IAS 19, 'Employee Benefits' (as revised in 2011)

The Company has adopted IAS 19, 'Employee Benefits' (as revised in 2011) (IAS 19 (2011)) for the first time in the current year.

The revision to IAS 19 changes the accounting requirements for defined benefit plans and termination benefits. The principal difference in the revised version of IAS 19 is the elimination of the 'corridor approach' with the requirement to recognise all actuarial gains and losses in other comprehensive income in full as they occur. In applying the previous version of IAS 19, the Company has not adopted the 'corridor approach' and is, therefore, unaffected by this amendment.

Other key amendments include enhanced disclosures regarding defined benefit plans and the replacement of the interest cost and expected return on plan assets with a 'net interest' amount. The 'net interest' is calculated by applying the discount rate to the net defined benefit liability or asset. The impact of adopting IAS 19 (2011) in the current year has had no material impact on amounts reported in profit or loss, other comprehensive income and total comprehensive income.

The accounting for termination benefits has been modified by IAS 19 (2011), with benefits provided in exchange for service required to be separated from those benefits provided in exchange for the termination of employment.

Application of the revised standard has had no material impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended 30 November 2014

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The Company has adopted the amendments to IFRS 7 related to the disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting agreements or other similar arrangements. This has no material effect on the Company's financial statements.

Other

The following new or revised standards and interpretations are mandatorily effective for the current financial year but have had no impact on the Company's financial statements.

- Amendment to IFRS 7 *'Financial Instruments: Disclosures – Transfers of Financial Assets'* (issued October 2010);
- Amendment to IFRS 1, *'Government loans (Amendments to IFRS 1)'* (issued March 2012);
- *'Annual Improvement 2009-2011 Cycle'* (issued May 2012); and
- IFRIC 20, *'Stripping Costs in the Production Phase of a Surface Mine'.*

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

New standards, amendments and interpretations issued by the IASB but which are not effective for the financial year beginning on 1 December 2013 and have not been adopted early by the Company are listed below.

In May 2011, the IASB issued five new or revised standards: IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. The main features of these new standards are as follows:

- IFRS 10 introduces a single consolidation model based on a new definition of 'control', setting out the principles for the preparation of consolidated financial statements;
- IFRS 11 sets out two forms of joint arrangement (either a joint venture or joint operation) determined based upon the rights and obligations arising from the joint arrangement. The use of proportionate consolidation for joint ventures is no longer permitted;
- IFRS 12 includes all the disclosure requirements for investments in subsidiaries, associates and joint arrangements;
- IAS 27 (2011) retains unaltered all the accounting requirements for separate financial statements that were in IAS 27 *'Consolidated and Separate Financial Statements'*; and
- IAS 28 (2011) sets out the requirements for equity accounting investments in associates and joint ventures.

As issued by the IASB, all of these five standards are effective for accounting years beginning on or after 1 January 2013 and must be adopted together, with the exception of IFRS 12 whose disclosures may be adopted early. However, the standards have only been endorsed for use within the EU for accounting years beginning on or after 1 January 2014.

On 24 July 2014, the IASB issued IFRS 9 'Financial Instruments', marking the conclusion of the IASBs project to replace IAS 39 'Financial Instruments: Recognition and Measurement', which sets out new requirements for the classification, measurement and recognition of financial instruments in the following areas:

- **Classification and Measurement** – financial assets are classified into one of three measurement categories: fair value through income, fair value through other comprehensive income or amortised cost. The classification is determined with reference to the business model for managing and holding financial assets and the contractual cash flow characteristics of the financial instruments held. The classification requirements for financial liabilities remain largely unchanged from the existing requirements of IAS 39, with the exception of financial liabilities measured under the fair value option where changes in fair value arising from changes in the entity's own credit risk are excluded from recognition within income for the year.
- **Impairment** – a new 'expected credit loss' impairment model is introduced for the measurement of impairment of financial assets classified as fair value through other comprehensive income or at amortised cost. This replaces the 'incurred credit loss' model under IAS 39.
- **Hedge Accounting** – a new hedge accounting model designed to more closely align with an entity's risk management policies for the hedging of financial and non-financial risk exposures.

IFRS 9 has an effective date for accounting years beginning on or after 1 January 2018 with early adoption permitted. The standard has not yet been endorsed for use within the EU. The final version of IFRS 9 supersedes the versions of IFRS 9 issued in 2009, 2010 and 2013 although these remain available for early adoption if applied prior to 1 February 2015 – however, none of these versions of IFRS 9 have been endorsed for use within the EU and it is not currently the Company's intention to early adopt any of these earlier versions of IFRS 9.

On its adoption, the Company will be required to consider the business model objective for holding financial instruments and the nature of the cash flow characteristics of the financial instruments held. These may be impacted by the basis of measurement of the Company's insurance liabilities at the time when IFRS 9 is adopted, the exact nature of which is currently uncertain. Therefore, the Company is unable to assess the likely impact of the application of the new standard on the results and financial position of the Company.

Notes to the Financial Statements

For the year ended 30 November 2014

On 28 May 2014, the IASB issued IFRS 15 *'Revenue from Contracts with Customers'*, which introduces a five-step model applied to all contracts with customers within its scope. The Company's insurance contracts will continue to be measured in accordance with the provisions of IFRS 4 *'Insurance Contracts'*.

The five-steps in the revenue model are:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to performance obligations in the contract; and
- Recognise revenue as and when the entity satisfies a performance obligation.

IFRS 15 has an effective date for accounting years beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 has not yet been endorsed for use within the EU. This standard does not apply to insurance contracts and financial investments and as such is not expected to have a material impact on the Company.

In addition to the above, the IASB has issued the following revisions and amendments to existing standards that are not expected to have any material impact on the Company's results or financial position:

- *'Offsetting Financial Assets and Financial Liabilities' (Amendments to IAS 32)* (issued December 2011);
- *'Investment Entities' (Amendments to IFRS 10, IFRS 12 and IAS 27)* (issued October 2012);
- *'Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)'* (issued May 2013);
- IFRIC 21, *'Levies'* (issued May 2013);
- *'Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)'* (issued June 2013);
- *'Defined Benefit Plans: Employee Contributions)'* (issued November 2013);
- *'Annual Improvements 2010-2012 Cycle'* (issued December 2013);
- *'Annual Improvements 2011-2013 Cycle'* (issued December 2013);
- *IFRS 14 'Regulatory Deferral Accounts'* (issued January 2014);
- *'Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)* (issued May 2014);
- *'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)'* (issued May 2014)
- *'Equity method in Separate Financial Statements (Amendments to IAS 27)'* (issued August 2014);
- *'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'*
- *'Annual Improvements 2012-2014 Cycle'* (issued September 2014).

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

3.1 BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted in the European Union (EU) (IFRS). The financial statements also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost basis except that certain assets and liabilities are measured at revalued amounts or fair values, as described in the accounting policies below. These policies have been applied on a consistent basis for all the years presented.

The financial statements are separate financial statements and contain financial information related to the Company as an individual Company and do not contain consolidated financial information related to the Company being the parent of a group.

The Company has taken advantage of section 401 of the Companies Act 2006, which exempts an intermediate parent company that is a subsidiary of a parent established outside the European Economic Area (EEA), from the requirement to prepare consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn up in a manner equivalent to consolidated financial statements produced in accordance with the provisions of the EU Seventh Directive as modified, where relevant, by the provisions of the Bank Accounts Directive or Insurance Accounts Directive (the EU Seventh Directive). The Company and all of its subsidiary undertakings are included in the consolidated financial statements of AIG, a company incorporated in the State of Delaware, United States of America. It has been determined that, for the years presented, these consolidated financial statements, prepared in accordance with US GAAP, are drawn up in a manner equivalent to the EU Seventh Directive. The Company has therefore not prepared consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 November 2014

3.2 COMBINATIONS OF ENTITIES OR BUSINESSES UNDER COMMON CONTROL

A combination of entities or businesses under common control is a combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Combinations of entities or businesses under common control are not included in the scope of IFRS 3, 'Business Combinations', and, as such and in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', the Company has opted to use the 'carry-over' ('predecessor accounting') method to account for combinations of entities or businesses under common control. The values that the transferee ascribes to the assets and liabilities transferred are determined based on the carrying values of those assets and liabilities in the financial statements of the transferor immediately prior to the combination, amended where applicable to comply with the transferee's accounting policies.

3.3 FOREIGN CURRENCIES

3.3.1 FUNCTIONAL CURRENCIES

The Company has a number of overseas branches. Each overseas branch determines its own functional currency based on factors specific to its operations and is usually the currency of the primary economic environment in which it operates. Transactions and balances in currencies other than the functional currency are treated as foreign currency items.

3.3.2 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions during the year are translated into the functional currency using the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the reporting date. Non-monetary assets and liabilities are translated into functional currency at the rates of exchange prevailing at the date of the transaction or most recent date of valuation where they are held at fair value.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation of foreign currency denominated monetary assets and liabilities at year end exchange rates are recognised in the income statement, except as noted below.

For foreign currency denominated monetary assets designated as available-for-sale, translation differences calculated with reference to the asset's amortised cost are recognised in the income statement, whereas foreign exchange differences arising on the cumulative fair value gains and losses are recognised in other comprehensive income and included within the fair value reserve within equity. Translation differences on non-monetary available-for-sale financial assets, such as equity securities, are recognised within other comprehensive income as part of the fair value gains and losses in the year.

3.3.3 TRANSLATION TO PRESENTATIONAL CURRENCY

The operating results and financial position of each non-sterling functional currency branch are translated into sterling as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the exchange rate at the date of each Statement of Financial Position;
- income and expenses for each statement of profit or loss and other comprehensive income presented are translated at the average exchange rates for each year; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

For large, one-off transactions, such as the branch acquisitions completed in the year, the transactions are recorded at the exchange rates prevailing at the date of the transaction.

3.4 INSURANCE CONTRACTS

In accordance with IFRS 4 *'Insurance Contracts'*, insurance contracts continue to be recognised and measured in accordance with existing accounting policies as extant at the date of transition to IFRS. For UK companies and their overseas branches, insurance contracts are accounted for in accordance with the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 and amended in December 2006 (ABI SORP).

Notes to the Financial Statements

For the year ended 30 November 2014

3.4.1 PRODUCT CLASSIFICATION

A contract is recognised as an insurance contract if it involves the assumption by the Company of significant insurance risk. Insurance risk is transferred to the Company where it agrees to compensate a policyholder if a specified uncertain event, other than those caused by changes in a financial variable such as interest and foreign exchange rates, adversely affects the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract until derecognised even if the insurance risk becomes insignificant during this period.

Any contract that does not involve the transfer of significant insurance risk is accounted for as an investment contract. Transactions under investment contracts are not recognised through the income statement, with the exception of any fee income and related claims handling costs associated with these contracts, but are included within other receivables or payables as appropriate.

3.4.2 PREMIUMS WRITTEN

Premiums written relate to business incepted during the year, together with any difference between premiums booked for prior years and those previously accrued. Premiums are stated net of insurance premium taxes and duties levied. As premium refunds become payable, they are accounted for as adjustments to gross premiums written in the year in which the refund is payable. Premiums collected by intermediaries but not remitted to the Company are determined based on estimates from underwriting or prior experience and are included in premiums written during the year.

3.4.3 UNEARNED PREMIUMS

Unearned premiums represent the proportion of premiums written that relate to periods of insurance coverage to be provided in periods subsequent to the reporting date. Unearned premiums are earned as revenue over the period of the contract and are principally calculated on a daily pro rata basis, unless there is a marked unevenness in the incidence of risk over the coverage period. In these cases, premiums are recognised based on the assessed incidence of risk.

3.4.4 INSURANCE CLAIMS

Insurance claims recognised in the year comprise claims paid in the year, changes in the provisions for outstanding claims, whether reported or not, any related loss adjustment expenses less, where applicable, an allowance for salvage and other recoveries, together with any adjustments to claims outstanding from previous years.

3.4.5 ACQUISITION COSTS

Acquisition costs, which represent commissions and other related costs, are deferred and amortised over the period in which the related premiums are earned. Related reinsurance commissions receivable are not netted against deferred acquisition costs and, instead, included within accruals and deferred income.

3.4.6 CLAIMS PROVISIONS AND RELATED REINSURANCE RECOVERIES

Provision is made at the year end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Company. Although the Company takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original liability established.

Claims provision is made for the full cost of settling outstanding claims at the balance sheet date, including claims incurred but not yet reported at that date, net of salvage and subrogation recoveries. Outstanding claims provisions are not discounted for the time value of money except for claims to be settled by Periodical Payment Orders (PPOs) established under the UK Courts Act 2003 and Future Policy Benefits relating to long-duration contracts.

The IBNR reserve is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. It includes an allowance for any consistent under or over-estimation in the case reserves. The IBNR review is conducted on a class of business basis. The in-house actuarial team conducts the assessment which is subject to an internal peer review process. Standard actuarial methodologies are used to evaluate and determine the IBNR reserves for all areas of the business including loss development methods and the analysis of individual cases in more volatile lines as appropriate. The Company's actuaries determine and select the most appropriate actuarial method to adopt for each business class. They also determine the appropriate segmentation of data from which the adequacy of the reserve can be established. A point estimate is determined from these detailed reviews and the sum of these point estimates for each class of business provides the overall actuarial point estimate for the IBNR reserve for the Company.

Notes to the Financial Statements

For the year ended 30 November 2014

The ultimate process by which the actual carried reserves are determined takes into account both the actuarial point estimate and numerous other internal and external factors such as claims initiatives and economic conditions in the respective country. The majority of the IBNR reserve relates to the longer-tail classes of business and the actuaries conduct sensitivity analysis so that senior management understand the key areas of uncertainties which could potentially lead to the final actual outcome being materially different. The Company's actuaries determine their best estimate of the undiscounted IBNR reserve and report to the Reserves Committee.

The general insurance loss reserves can generally be categorised into two distinct groups. One group is short-tail classes of business consisting mainly of property, consumer lines, marine and energy. The other group is long-tail commercial lines of business which includes excess and primary liability, Directors and Officers (D&O), professional liability, employers' liability, general liability and related classes.

Short-tail classes do not have a significant delay from the date of accident to date of report to the Company and then settled by the Company. The estimates for these classes are more reliant on the case estimate on individual claims and utilises loss development methodologies in the projection of the future development of these case estimates.

Long-tail classes generally relate to claims where liability has to be established or where there is an element of bodily injury. For these classes it may take some time from the date of accident for the claim to emerge and for claims to be settled from notification date due to the time taken to establish liability. Estimation of ultimate net indemnity losses and loss expenses for long-tail lines of business is a complex process and depends on a number of factors, including the class and volume of business involved as well as premium rate changes, changes in exposure and claim inflation. The actuarial methods used by the Company for most long-tail commercial lines include loss development methods and expected loss ratio methods, including the Bornhuetter-Ferguson method. Exceptional large claims or events, to the extent that these distort the historical development, are removed from the analysis and considered separately.

3.4.7 LIABILITY ADEQUACY

At each reporting date, the Company reviews its unexpired risks and performs a liability adequacy test. Provision is made for any unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premium provision in relation to such policies after the deduction of any deferred acquisition costs. The expected value is determined by reference to recent experience and allowing for changes to the premium rates. The provision for unexpired risks is calculated separately by reference to classes of business that are managed together and after taking account of relevant investment returns.

3.4.8 REINSURANCE

The Company cedes reinsurance in the normal course of business, with retention limits set for each line of business. The contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts. Onwards reinsurance premiums are recognised in the same accounting year as the related premium income. Reinsurance claims recoveries are recognised in the same accounting year as the related insurance claims are accounted for.

The amounts recoverable from reinsurers are estimated based upon the gross provisions, having due regard to their collectability. The reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurers. The reinsurers' share of claims incurred, in the income statement, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year.

The reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the income statement as outward reinsurance premiums when due.

Reinsurance contracts that principally transfer financial risk are accounted for directly through the Statement of Financial Position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

Notes to the Financial Statements

For the year ended 30 November 2014

3.5 PROPERTY AND EQUIPMENT

Owner occupied properties are held at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other items of property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Owner occupied properties are revalued on a regular basis at open market valuation by independent, professionally qualified valuers. These valuations are in accordance with the requirements of the International Valuation Standards Committee, the revaluation model within IAS 16, *'Property, Plant and Equipment'* and IFRS 13, *'Fair Value Measurement'*.

Any revaluation increase arising on revaluation is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Property and equipment are depreciated to their residual values over their useful lives. Depreciation is calculated on a straight line basis to reduce the carrying value to the residual amount over the following periods:

Land	Not depreciated
Property	40 years
Leasehold improvements	5 years
Fixtures and fittings	4 years

The residual values, length of the economic lives and depreciation method applied are reviewed on a regular basis, and at least at every reporting date, and adjusted as appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

3.6 INTANGIBLE ASSETS

Intangible assets include capitalised software costs and acquired brands.

Capitalised software costs represent costs directly related to obtaining, developing or upgrading internal use software. Such costs are capitalised and amortised on a straight line basis over the software's useful life which is a period not exceeding five years. Acquired brands are shown at historical cost.

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.7 INVESTMENTS IN GROUP UNDERTAKINGS

Investments in group undertakings are stated at cost less impairment. An impairment review is carried out whenever there is an indication of impairment. Where the carrying amount is more than the recoverable amount, an impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.8 FINANCIAL ASSETS AND LIABILITIES

A financial asset is initially recognised on the date the Company becomes committed to purchase the asset at its fair value plus directly related acquisition costs, except for those assets classified as fair value through income where acquisition costs are recognised immediately in the income statement. A financial asset is derecognised when the Company's rights to receive cash flows from the asset have expired or where the risks and rewards of ownership have been substantially transferred by the Company.

On initial recognition, the Company classifies its financial assets into one of the following categories: financial assets at fair value through income; loans and receivables; or available-for-sale financial assets. For financial instruments classified in categories that require them to be measured at their fair value at the reporting date, fair value is determined with reference to the quoted market bid prices, or by using an appropriate valuation model as described in note 8.

Financial Assets at Fair Value Through Income

Financial assets may be classified on initial recognition as being at fair value through profit or loss if such designation: (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not closely related to the host contract.

Gains and losses on financial assets designated at fair value through income are recognised directly in the Statement of Profit or Loss and Other Comprehensive Income.

Loans and Receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except for those that are classified as available-for-sale or designated as at fair value through income. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Notes to the Financial Statements

For the year ended 30 November 2014

Available-For-Sale

Non-derivative financial assets that are not classified as designated at fair value through income or loans and receivables are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. They are subsequently measured at fair value with changes in fair value reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognised in the income statement. Impairment losses and exchange differences resulting from the retranslation of the amortised cost of foreign currency monetary available-for-sale financial assets are recognised in income together with interest calculated using the effective interest method.

Financial Liabilities

A financial liability is initially recognised on the date the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value including, other than for financial liabilities at fair value through profit or loss, transaction costs directly attributable to the issue of the instrument. Other than derivatives which are subsequently measured at fair value, all other financial liabilities are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised from the Statement of Financial Position when the obligation is discharged, cancelled, or expires.

3.9 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include forward currency swaps that derive their value from movements in underlying foreign exchange rates. Derivatives are initially recognised and subsequently measured at fair value with movements in fair value recognised in income. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Derivatives are carried as assets where their fair value is positive and as liabilities where the fair value is negative.

The Company has collateral agreements in place with the counterparties of derivative financial instruments held. The accounting policy for collateral received and paid is as set out in accounting policy 3.15.

3.10 HEDGE ACCOUNTING

Transactions are classified as hedging transactions when the following conditions for hedge accounting are met:

- There is a formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge;
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is assessed on an ongoing basis and determined to be highly effective.

Where a foreign exchange derivative is designated as a hedging instrument against a net investment in foreign branches, the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses accumulated in equity are included in the Statement of Profit or Loss and Other Comprehensive Income when the underlying hedged item is derecognised.

The Company has a designated Euro currency swap as a hedge of its net investment in its Euro functional currency branches. Further detail can be found in note 32.

3.11 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.12 NET INVESTMENT RETURN

Net investment income recognised in the Statement of Profit or Loss and Other Comprehensive Income includes investment income (comprising of interest, dividends and the amortisation of any discount or premium on available-for-sale debt securities). The Net Investment Return also includes realised gains and losses and movements in unrealised gains and losses on financial assets held at fair value through profit or loss, net of interest payable, investment expenses and impairment losses on financial assets.

Interest income is recognised as accrued based on the effective interest method. Dividend income is recognised as the Company's right to those dividends becomes unconditional. Rental income is recognised on a straight-line basis.

Notes to the Financial Statements

For the year ended 30 November 2014

3.13 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets classified as either loans and receivables or available-for-sale is impaired. A financial asset or group of financial assets is impaired, and an impairment loss recognised, if there is objective evidence that an event, or events has occurred subsequent to the initial recognition of the financial asset or group of financial assets that has adversely affected the amount or timing of future cash flows from the asset.

Loans and Receivables

Where there is evidence that the contractual cash flows of a financial asset classified as loans and receivables will not be received in full, an impairment charge is recognised in income to reduce the carrying value of the financial asset to its recoverable amount.

Available-For-Sale Financial Assets

Where a decline in the fair value of a financial asset classified as available-for-sale has been recognised in the fair value reserve and there is objective evidence that the asset is impaired, the cumulative loss is transferred out of the fair value reserve in equity and recognised in the income statement. The impairment loss recognised is the difference between the amortised cost of the financial asset and its current fair value. Impairment losses previously recognised for debt securities are reversed if there is a subsequent increase in their fair value and that this increase can be objectively linked to an event subsequent to the recognition of the impairment. Impairment losses on available-for-sale equity instruments are not reversed.

3.14 BORROWINGS

Borrowings are initially recognised at their issue proceeds and are subsequently measured at amortised cost. Borrowing costs are recognised using the effective rate method in the Statement of Profit or Loss as incurred.

3.15 COLLATERAL

The Company receives and pays collateral in the form of both cash and non-cash assets in respect of certain derivative contracts and reinsurance assets in order to reduce the credit risk attaching to these transactions.

Cash collateral received is recognised as an asset in the Statement of Financial Position with a corresponding liability for the ultimate repayment of the financial liability, unless the Company has a legally enforceable right of set off in which case the collateral liability and the related asset are shown net. Non-cash collateral received is not recognised in the Statement of Financial Position unless the Company obtains substantially all the risks and rewards from ownership of the collateral pledged, such as in cases where the counterparty defaults on their obligations under the contract.

Non-cash collateral pledged is not derecognised in the Statement of Financial Position where the Company retains substantially all of the risks and rewards of ownership of the pledged non-cash assets. These assets continue to be recognised in the relevant asset classification. The Company receives and pays collateral in the form of both cash and non-cash assets in respect of certain derivative contracts and reinsurance assets in order to reduce the credit risk attaching to these transactions. Further details can be found in note 22.

3.16 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

Short-term Employee Benefits

Short-term employee benefits, including compensated absences, are benefits to be paid within one year after the end of the reporting year in which the related services are rendered. A liability and expense are recognised for the undiscounted amount expected to be paid for short-term employee benefits in the year in which the employee renders services in exchange for the benefits.

Other Long-Term Employee Benefits

Other long-term employee benefits are accounted for similarly to short-term employee benefits. However, unlike short-term employee benefits, the amounts are discounted in the measurement of the liability.

Termination Benefits

A liability for termination benefit is recognised at the earlier of when the Company can no longer withdraw from the offer of the termination benefit and when the entity recognises any related restructuring costs.

Employee Share-Based Payments

Equity-settled plans are measured at fair value of the equity instruments on the grant date and recognised as an expense, with a corresponding increase to shareholders' equity, on a straight line basis over the vesting period. In determining the expense, the Company estimates the number of equity instruments that are expected to eventually vest. Such estimates are revised at the end of each reporting year, with the impact of any revisions recognised in profit or loss, with a corresponding adjustment to the equity-settled employee benefits reserve.

3.17 LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments, where the lessors effectively retain substantially all of the risk and benefits of ownership of the leased items, are recognised as an expense in the Statement of Profit or Loss in accordance with the patterns and benefits derived from the leased items.

Notes to the Financial Statements

For the year ended 30 November 2014

Payments made relating to operating leases are charged to the Statement of Profit or Loss on a straight line basis over the lease term. Any lease incentives, such as rent free periods, are amortised on a straight line basis over the lease term.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease, not exceeding 7 years.

3.18 TAXATION

The charge for tax is based on the results for the year determined in accordance with the relevant tax laws and regulations in each jurisdiction, together with adjustments to provisions for prior years.

Deferred tax is provided in full on all temporary differences arising between the carrying amounts in the financial statements and the tax bases of the assets and liabilities. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered. Deferred tax is calculated based on the tax rates that have been enacted or substantively enacted at the end of the reporting year and which are expected to be in force when the relevant deferred tax asset is realised or the relevant deferred tax liability is settled. Deferred tax balances are not discounted.

3.19 PENSION COSTS

The Company operates a number of pension benefit plans. These plans include both defined benefit and defined contribution plans.

Payments to defined contribution plans and state-managed retirement benefit plans, where the Company's obligations under the plans are equivalent to a defined contribution plan, are charged as an expense as the employees render service. The defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the plans' actuaries using the Projected Unit Credit Method.

Amounts charged (or credited) in the income statement for post retirement benefits in respect of defined benefit plans include:

- **The Current Service Cost –** representing the present value of additional benefits accruing in relation to employee services provided during the year;
- **Past Service Costs –** arising from plan amendments and curtailments. Such costs are recognized in the income statement at the earlier of the effective date of the plan amendment or curtailment, or when the Group recognizes the related restructuring costs or termination benefits;
- **Administration Costs –** of operating the pension plans; and
- **Net Interest –** on the net deferred pension obligation liability (asset) determined by applying the discount rate to the net defined benefit liability (asset) at the start of the reporting year and any movements in the net defined benefit liability (asset) during the year from contributions made and benefits paid.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The defined benefit liability recognised in the Statement of Financial Position represents the present value of defined benefit obligations adjusted for unrecognised past service costs and reduced by the fair value of plan assets. Any net defined benefit surplus is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

3.20 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is measured at the best estimate that the Company would pay to settle the obligation or transfer it to a third party.

A contingent liability is an obligation where it is not more likely than not that an outflow of resources will be required or the amount of the obligation cannot be reasonably estimated. Contingent liabilities are disclosed if there is more than a remote possibility that an outflow of resources will be required to settle the obligation.

In many cases, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until years after the contingency arises, in which case no accrual is made until that time.

3.21 STATEMENT OF CASH FLOWS

Basis of Preparation

The Company has applied the indirect method for preparing the Statement of Cash Flows. This statement shows the movement in cash and cash equivalents for the year.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible into known amounts of cash and that are not subject to a significant risk of a change in value. Such investments are classified as cash equivalents where they have maturity dates of three months or less from the date of acquisition.

For the purposes of preparing the Statement of Cash Flows, cash and cash equivalents include bank overdrafts.

Notes to the Financial Statements

For the year ended 30 November 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company exercises judgement in selecting each of the Company's accounting policies. IFRS requires management to select suitable accounting policies, apply them consistently and make judgements and estimates which are reasonable and prudent when preparing the financial statements. These judgements and estimates are based on management's knowledge of current factors and circumstances and prediction of future events and actions. Actual results may differ from those estimates, possibly significantly.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

4.1 LIABILITY FOR UNPAID CLAIMS AND LOSS ADJUSTMENT EXPENSES

Provision is made at year end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ('IBNR'), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgements. These estimates and judgements are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore higher than classes of business with a shorter reporting tail will typically display greater variations between initial estimates and final outcomes. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to have less uncertainty within the unpaid liability estimate. In calculating the required levels of provisions, the Company uses a variety of estimation techniques used widely across the market, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

In arriving at booked claims provisions, management also make allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalisation and payment;
- changes in the legal environment;
- the impact of inflation (both economic/wage and superimposed);
- changes in the mix of business;
- the impact of large losses;
- movements in industry benchmarks;
- number of claims that have a high likelihood of becoming periodic payment orders;
- current accident year experience;
- medical and technological developments; and
- changes in policyholder behaviour.

The methods used to analyse past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique, or combination of techniques, is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Large claims impacting each relevant business class are considered on a case by case basis and projected separately, where appropriate, in order to allow for the possible distortive effect of the development and incidence of these large claims.

The key areas of reserve uncertainty for the Company are as follows:

- Financial Lines: This is a key area of uncertainty given the current macro environment, and increased market and regulatory scrutiny of the banks which the Company insures. The underlying level of bankruptcies seen in both the UK and Europe remains high.
- Casualty: Legal changes such as the Jackson Reforms, Ministry of Justice reforms and LAPSO (Legal Aid, Sentencing and Punishment of Offenders Act) are areas of uncertainty;
- Claims experience is subject to natural catastrophes across the world given the global exposure of risks underwritten by the Company. The frequency and severity of such events have a high degree of uncertainty associated with them; and
- There is a higher level of uncertainty for the current year given its early stage in development.

Notes to the Financial Statements

For the year ended 30 November 2014

4.2 PIPELINE PREMIUMS AND ASSOCIATED LOSS RESERVE

The Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end based on prior year experience and current year business volumes. The pipeline premium is booked together with an assessment of the related unearned premium reserve and an estimate of claims incurred but not reported. A test is performed of actual premium received against prior year pipeline premium accruals and the estimation process adjusted if necessary to increase the accuracy of the current year estimate.

4.3 DEFERRED ACQUISITION COSTS

The amount of acquisition costs to be deferred is dependent on judgements as to which issuance costs are directly related to and vary with the acquisition of policies.

4.4 ESTIMATE OF REINSURANCE RECOVERIES

The Company's estimate of reinsurance recoveries is based on the relevant reinsurance programme in place for the calendar year in which the related losses have been incurred. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim reserves associated with the reinsured policy. An estimate for potential reinsurance failure and possible disputes is provided to reduce the carrying value of reinsurance assets to their net recoverable amount.

4.5 IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing industry and sector performance, changes in technology, and financing and operational cash flows.

4.6 IMPAIRMENT OF INVESTMENTS IN GROUP UNDERTAKINGS

The Company reports the value of its investments in group undertakings at cost less any impairment. A decision on a potential impairment is taken when there is an indication of impairment in accordance with the guidelines of IAS36.

4.7 PENSIONS

The Company operates a number of pension schemes, whose members receive benefits on either a defined benefit or defined contribution basis. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The pension obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The sensitive nature of key assumptions, such as discount and mortality rates, can have a material impact on the closing valuation of the schemes and these rates are subject to judgement to ensure reasonableness and accuracy. The resultant net surplus or deficit recognised as an asset or liability on the Statement of Financial Position is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets.

4.8 TAXATION

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the tax group in which the deferred tax asset has been recognised.

4.9 OTHER ACCOUNTING ESTIMATES

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, the Company's financial position, results of operations and cash flows could be materially affected.

The financial statements also include allocation of certain general overhead and other expenses that have been incurred by AIG on behalf of the Company. For further information see note 39. The Company's management considers these costs, along with the costs previously charged by AIG to the Company, to be a reasonable reflection of the costs incurred by AIG's corporate office on behalf of the Company. The financial statements of the Company may not be indicative of the Company's future performance and may not necessarily reflect what its financial position, results of operations and cash flows would have been had the Company operated as a separate, stand-alone legal entity during the years presented.

Notes to the Financial Statements

For the year ended 30 November 2014

5. GROUP RECONSTRUCTIONS

During the year, the Company completed a series of combinations of entities or businesses under common control as part of a wider group reconstruction with the ultimate goal of rationalising AIG's property and casualty insurance operations within the European Economic Area (EEA) and Switzerland.

Acquisition of Chartis Excess Limited

On 1 December 2013, the Company completed a simultaneous asset purchase and portfolio transfer of the insurance operations of Chartis Excess Limited, together with certain business assets and new and renewal rights attached to the brand "AIG Cat Excess". The acquired business was integrated into the Company's United Kingdom branch. The Company issued one ordinary share at a premium of £3.0 million as consideration.

In accordance with the Company's accounting policy for common control transactions, the acquisition of the new and renewal business rights has not been ascribed a carrying value in the Company's financial statements as these rights were not previously recognised in the financial statements of Chartis Excess Limited.

The final value of identifiable assets and liabilities of Chartis Excess Limited assumed by the Company, are set out in the table below:

	£'m
Net assets acquired:	
Insurance contracts	
– Reinsurance assets	239.5
– Deferred acquisition costs	1.3
Other receivables, including insurance receivables	5.5
Cash and cash equivalents	31.0
Insurance liabilities	(268.7)
Other payables, including insurance payables	(4.9)
Ceded DAC	(3.7)
Net identifiable insurance assets acquired	-
Consideration:	
Share capital	-
Share premium	3.0
Fair value of consideration	3.0
Capital distribution from Retained Earnings	(3.0)
Net capital distribution	-

Merger of AIG Assurances IARD with the Company

On 1 December 2013, AIG Assurances IARD, a subsidiary acquired on 17 March 2013, merged into the Company. Pursuant to the merger, the business of the acquired entity, AIG Assurance IARD, including the insurance assets and liabilities were transferred to the Company by virtue of the merger, which was court sanctioned, and in accordance with applicable law.

The final value of identifiable assets and liabilities of AIG Assurances IARD assumed by the Company, are set out in the table below:

	£'m
Net assets acquired:	
Insurance contracts	-
– Reinsurance assets	0.9
– Deferred acquisition costs	0.7
Other receivables, including insurance receivables	0.9
Cash and cash equivalents	17.5
Insurance liabilities	(6.6)
Current tax liabilities	-
Other payables, including insurance payables	(3.3)
Net identifiable insurance assets acquired	10.1
Consideration:	
Non cash consideration	7.8
Deferred cash	0.6
Fair value of consideration	8.4
Capital distribution from Retained Earnings	1.7
Net capital distribution	-

Other Restructuring Activities

On 1 March 2014, Fuji International Insurance Company Limited (an AIG Inc. company) transferred its general insurance and reinsurance business to the Company for nil consideration. The final value of the identifiable assets and liabilities of Fuji International Insurance Company Limited assumed by the Company, are as set out in the table below:

	£'m
Net assets acquired:	
Insurance contracts	
– Reinsurance assets	0.1
Insurance liabilities	(0.1)
Net identifiable insurance assets acquired	-

Prior Year Group Reconstructions

In the prior financial year, the Company concluded a business combination under common control, for the merger into the Company of the business of Chartis Europe S.A. (CESA) for consideration of £571.7 million, resulting in a net capital distribution of £1,233.2 million.

Notes to the Financial Statements

For the year ended 30 November 2014

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The management of risk is a fundamental concern of the Company's management. This note, together with the Risk Management Report, summarises the key risks to the Company and the policies and procedures put in place by management to manage them. The Risk Management Report sets out a high level overview of the risk governance structure adopted by the Company.

The components of insurance, financial, credit, liquidity and operational risk are considered below:

INSURANCE RISK

Insurance Risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance Risk can also refer to fluctuations in the timing and amount of claim settlements and reserves.

Insurance Risk is historically the single most significant risk area within the Company. It is split between four principal key risks which are all managed through the application of controls, as well as the use of reinsurance to offset exposures through the transfer of risk. These four key risks are as follows:

- **Failure of Pricing:** The Company's underwriting operations inherently carry the risk of incorrect pricing of products resulting in financial losses or reduced profit, either from prices being set too high (therefore losing market share) or too low (therefore resulting in an unacceptable profit contribution for that product). The Company seeks to manage this through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of underwriting authorities to ensure that policies are underwritten with management oversight. In addition, large and unusual transactions are referred to the Risk and Capital Committee (RCC) for consideration from a Statement of Financial Position, liquidity and risk portfolio point of view before the Company becomes committed. This helps to ensure compliance with the Board approved risk appetite. The Company also mitigates exposures to pricing risk through the purchase of reinsurance.
- **Ineffective Strategy/Failure of Product:** When an inappropriate strategy or product is introduced for a specific business line or the Company as a whole, there is an increased risk that material financial and reputational losses will occur. The Company seeks to manage this through the use of processes and procedures over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to approval and execution. The Company also has processes in place for the identification, assessment and approval of key projects and strategic investments. Strategic initiatives are tracked monthly and all staff are set personal goals which align to the strategic direction of AIG Europe Limited.
- **Failure to Manage Risk Aggregation/Accumulation:** The Company may be exposed to an increased likelihood of disproportionate losses for specific perils if insured risks are overly focused on a specific geographical area or type of policy cover. The Company seeks to manage this through the use of pre-bind rules and authorities to manage significant within line and cross-line exposures, as well as quarterly Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. In addition, large and unusual transactions that may have a material impact on risk aggregation exposures for an individual line of business are referred to the RCC for further consideration.
- **Adverse Reserve Development:** The Company may be exposed to reserve shortfalls or distortions through failing to set sufficient case reserves or through failing to adopt a robust and consistent reserve strategy across products offered to insureds and countries. The Company seeks to manage this through monitoring adherence to established policies and procedures in place governing claims reserving practices. In addition, the Company's Actuarial Team conducts annual reserve reviews of the Company's overall book to determine appropriate reserve levels and quarterly reviews of the Company's expected reserve adequacy. The Company also employs external consultants to perform reviews of its reserves to provide an independent review of their adequacy.

FINANCIAL RISK

Market Risk

Market risk is the risk that the Company is adversely affected by movements in the value of its financial assets arising from market movements, such as interest rates and foreign exchange rates or other price risks. A description of the Company's principal risk relating to Market Risk is shown below; along with a summary description of controls the Company applies in seeking to mitigate this risk:

- **Unexpected Loss in Market Value of Investment Portfolio:** The adequacy of excess assets held by the Company may be adversely affected as a result of interest rate movements, adverse changes in credit spreads or deterioration in the quality of invested assets, impacting on the Company's cash flow and liquidity. The Company seeks to manage this risk through the monitoring of adherence to established set of investment guidelines, which are reviewed and updated periodically by the Market Risk Committee. The guidelines contain restrictions on areas such as asset concentrations, the duration of investments against our insurance liabilities, the level of assets held with counterparties with a credit rating lower than AAA and the overall average credit rating target of the investment portfolio. The Company's Treasury Department also has processes and procedures in place in order to review, assess and, if necessary, take action on foreign exchange rate movements.

Notes to the Financial Statements

For the year ended 30 November 2014

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, primarily insurance claims, as they fall due. This risk is mitigated through investment in predominately liquid financial assets and constant monitoring of expected asset and liability maturities. The Company further manages this risk through reviews of Liquidity Risk Management Reports provided by the Treasury function, as well as review and approval of stress scenarios designed by Treasury to assess liquidity risk of the Company in extreme situations. The Company's Treasury department is also operationally responsible to ensure that sufficient funding required for a stressed scenario is available and that the sources of funding are appropriately diversified. The Company's Treasury department maintains a Contingent Funding Plan that is triggered in the event of breaches in the liquidity risk limits. There has been no material change in the Company's processes in respect of liquidity risk over the year.

Maturity Analysis of Financial Liabilities

Below is an analysis of the maturity profile of financial liabilities, including insurance liabilities, which are subject to fixed and variable interest rates.

	Less than one year £'m	One to two years £'m	Two to three years £'m	Three to four years £'m	Four to five years £'m	Five to ten years £'m	Over ten years £'m	Carrying value in the statement of financial position £'m
At 30 November 2014								
Insurance liabilities								
– Outstanding claims	2,715.9	1,503.6	974.6	626.4	438.6	858.3	193.1	7,310.5
– Unearned premiums	1,781.0	74.1	40.8	22.4	14.6	14.2	2.5	1,949.6
Borrowings	1.3	-	-	-	50.0	-	-	51.3
Derivative financial instruments	12.4	-	-	-	-	-	-	12.4
Other payables, including insurance payables	931.6	12.3	-	-	-	-	-	943.9
Total	5,442.2	1,590.0	1,015.4	648.8	503.2	872.5	195.6	10,267.7

	Less than one year £'m	One to two years £'m	Two to three years £'m	Three to four years £'m	Four to five years £'m	Five to ten years £'m	Over ten years £'m	Carrying value in the statement of financial position £'m
At 30 November 2013								
Insurance liabilities								
– Outstanding claims	2,852.6	1,478.2	934.7	617.0	414.8	807.6	180.4	7,285.3
– Unearned premiums*	1,715.9	71.4	39.3	21.6	14.1	13.7	2.3	1,878.3
Borrowings	1.5	-	-	-	-	50.0	-	51.5
Derivative financial instruments	-	58.1	-	-	-	-	-	58.1
Other payables, including insurance payables	1,302.6	12.3	-	-	-	-	-	1,314.9
Total	5,872.6	1,620.0	974.0	638.6	428.9	871.3	182.7	10,588.1

* 2013 comparatives have been reclassified to be consistent with current year presentation.

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For the year ended 30 November 2014

Interest Rate Risk

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. The Company mitigates this risk by investing in relatively short maturity bonds that have a low interest rate risk with the intent of matching our best estimate insurance liabilities. At 30 November 2014, the effective duration for the Company's Fixed Income portfolio was 3.0 years (2013: 2.9 years).

At 30 November 2014, the sensitivity of the carrying value of the Company's Fixed Income portfolio to a movement of 100 basis points in interest rates was as follows. Subject to any impairment charges that may result under the scenarios, the fair value reserve would be reduced by £252 million for a 100 basis point increase in interest rates. Conversely, a 100 basis point decrease in interest rates would increase the fair value reserve by £254 million.

Currency Risk

Currency risk arises where assets and liabilities are settled in currencies other than the functional currency of the Company, including the Company's overseas branches which all have non-sterling functional currencies. The Company mitigates this risk by actively matching its financial assets with liabilities in the same currency. The analysis of the Company's shareholders' equity by currency is shown below:

	Pound sterling £'m	Euro £'m	Swiss Franc £'m	US Dollar £'m	Other £'m	Total £'m
Total equity at 30 November 2014	**2,891.7**	**694.1**	**162.4**	**(219.5)**	**(70.2)**	**3,458.5**
Total equity at 30 November 2013	2,622.1	579.7	156.7	(9.2)	(139.2)	3,210.1

Sensitivity analysis of shareholders' equity to changes in foreign exchange rates for the three largest currency risks (Euro, Swiss Francs and US Dollars):

	10% increase in sterling/ Euro rate £'m	10% decrease in sterling/ Euro rate £'m	10% increase in sterling/ CHF rate £'m	10% decrease in sterling/ CHF rate £'m	10% increase in sterling/ USD rate £'m	10% increase in sterling/ USD rate £'m
Total equity at 30 November 2014	**(63.1)**	**77.1**	**(14.8)**	**18.0**	**20.0**	**(24.4)**
Total equity at 30 November 2013	(24.9)	30.4	(9.6)	11.7	0.8	(1.0)

The Company hedges part of the foreign exchange risk arising from the retranslation of its Euro functional currency branches through the use of a EUR:GBP currency swap with a notional amount of €1.25 billion.

Notes to the Financial Statements

For the year ended 30 November 2014

CREDIT RISK

Credit risk is defined as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has exposure to credit risk principally through its holdings of debt securities, structured assets and reinsurance assets. There has been no material change in the Company's processes in respect of credit risk over the year. A description of each of the Company's principal risks attached to credit risk is shown below; along with a summary description of controls the Company applies in seeking to mitigate these risks:

- **Unexpected Credit Loss Owing to Reinsurer Failure:**
  The Company faces a risk of material losses if their main reinsurers fail or are unable to pay their contractual share of claims payable. The Company seeks to manage this through annual review of the financial strength and creditworthiness of reinsurance counterparties, as well as tracking overall exposures to individual reinsurers. In addition, a list of approved reinsurers is maintained and an established process is in place to ensure that approval is obtained before reinsurance cover is taken out with a reinsurer not on the approved list (this may include requiring collateralisation).
- **Unexpected Credit Loss (All Other Counterparties Including Group):**
  The Company faces a risk of material losses and cash flow issues if other internal (intra-group) or third party obligors are unable to pay amounts due. The Company seeks to manage this risk through the utilisation of processes and procedures to ensure that the Company only utilises approved bank operating accounts and investment counterparties. In addition, the Company has controls in place to ensure that third party service providers and brokers used are subject to credit checks prior to and during the year where they provide services to the Company, where it is possible to do so.

The following table provides an analysis of the major categories of financial assets with credit risk exposure and the credit rating of those financial assets based upon the ratings published by Standard & Poor's or equivalent.

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For the year ended 30 November 2014

	AAA £'m	AA £'m	A £'m	BBB £'m	Below investment grade £'m	Not rated £'m	Total £'m
At 30 November 2014							
Financial investments							
– Debt securities	1,912.6	2,107.5	2,668.7	997.6	531.8	-	8,218.2
– Equity instruments	-	-	-	-	-	10.7	10.7
– Loan participations	-	-	43.3	107.7	-	-	151.0
– Mutual funds	-	-	-	-	-	198.0	198.0
– Deposits with credit institutions	-	47.0	-	-	-	-	47.0
Reinsurance assets	25.8	168.6	2,074.1	108.0	124.2	362.2	2,862.9
Other receivables, including insurance receivables	3.7	19.6	236.4	249.9	332.4	628.3	1,470.3
Accrued interest and rent	21.3	27.7	40.4	21.9	8.4	-	119.7
Other prepayments and accrued income	-	-	-	-	-	11.6	11.6
Short-term deposits	-	-	43.7	-	-	3.0	46.7
Cash in bank	0.8	2.0	92.4	0.6	9.1	0.5	105.4
Total	1,964.2	2,372.4	5,199.0	1,485.7	1,005.9	1,214.3	13,241.5
At 30 November 2013							
Financial investments							
– Debt securities	2,096.2	2,109.9	2,755.2	1,199.4	202.1	-	8,362.8
– Equity instruments	-	-	-	-	-	14.1	14.1
– Loan participations	-	-	-	41.8	-	-	41.8
– Mutual funds	-	-	-	-	-	52.4	52.4
– Deposits with credit institutions	6.4	-	-	-	-	-	6.4
Reinsurance assets	31.0	141.2	1,955.9	311.3	154.6	454.5	3,048.5
Other receivables, including insurance receivables	14.8	2.2	189.5	171.6	232.9	759.3	1,370.3
Accrued interest and rent	26.0	31.0	42.5	26.9	3.2	0.2	129.8
Other prepayments and accrued income	-	-	-	-	-	13.9	13.9
Short-term deposits	-	128.5	256.2	1.6	-	2.2	388.5
Cash in bank	3.0	3.6	41.4	1.9	4.6	-	54.5
Total	2,177.4	2,416.4	5,240.7	1,754.5	597.4	1,296.6	13,483.0

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The following table analyses the credit quality of financial assets with credit risk exposure that are neither past due nor impaired and those that have been impaired by category of asset.

	Neither past due nor impaired £'m	Financial assets that are past due but not impaired				Financial assets that have been impaired £'m	Carrying value in the statement of financial position £'m
		1 - 30 days £'m	31 - 60 days £'m	61 - 90 days £'m	Over 90 days £'m		
At 30 November 2014							
Financial investments							
– Debt securities	8,164.8	-	-	-	-	53.4	8,218.2
– Equity instruments	10.7	-	-	-	-	-	10.7
– Loan participations	151.0	-	-	-	-	-	151.0
– Mutual funds	198.0	-	-	-	-	-	198.0
– Deposits with credit institutions	47.0	-	-	-	-	-	47.0
Reinsurance assets	2,862.9	-	-	-	-	-	2,862.9
Other receivables, including insurance receivables	828.9	587.1	12.8	19.6	21.9	-	1,470.3
Accrued interest and rent	119.7	-	-	-	-	-	119.7
Other prepayments and accrued income	11.6	-	-	-	-	-	11.6
Short-term deposits	46.7	-	-	-	-	-	46.7
Cash in bank	105.4	-	-	-	-	-	105.4
Total	12,546.7	587.1	12.8	19.6	21.9	53.4	13,241.5
At 30 November 2013							
Financial investments							
– Debt securities	8,341.0	-	-	-	-	21.8	8,362.8
– Equity instruments	14.1	-	-	-	-	-	14.1
– Loan participations	41.8	-	-	-	-	-	41.8
– Mutual funds	52.4	-	-	-	-	-	52.4
– Deposits with credit institutions	6.4	-	-	-	-	-	6.4
Reinsurance assets	3,048.5	-	-	-	-	-	3,048.5
Other receivables, including insurance receivables	1,164.0	151.0	7.5	19.8	27.4	0.6	1,370.3
Accrued interest and rent	129.8	-	-	-	-	-	129.8
Other prepayments and accrued income	13.9	-	-	-	-	-	13.9
Short-term deposits	388.5	-	-	-	-	-	388.5
Cash in bank	54.5	-	-	-	-	-	54.5
Total	13,254.9	151.0	7.5	19.8	27.4	22.4	13,483.0

Notes to the Financial Statements

For the year ended 30 November 2014

BUSINESS & STRATEGY RISK

Whilst AIG Europe Limited does identify and manage its Insurance, Market (including Liquidity Risk), Credit and Operational Risks, the company is aware that these individual risk types are framed to some degree by the Company's and AIG Group's business operations and strategic direction. The Company's operations and strategy also influence or are impacted by Group Risks arising from its participation in the wider AIG group and the pan-European scope of the company. A description of each of the Company's principal risk components attached to Business and Strategy Risk is shown below along with a summary description of controls the Company applies in seeking to mitigate these risks:

- **Strategic Risk:** This represents the risk of losses due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. The risks include general macro-economic pressures, misalignment of the Company's objectives to those of AIG Group, as well as risks associated with one off business specific events, such as significant mergers and acquisitions. The Company seeks to manage this risk through the application of a business planning process to ensure that the Company has a sustainable strategy that is aligned to AIG's global objectives, as well as post-date monitoring of the Company's performance against its set budget and adherence to its strategic objectives. AIG Europe Limited Enterprise Risk Management also actively supports this process through conducting risk assessments of the business planning process, monitoring identified risks from these assessments and conducting scenario analysis and stress testing on the company's one and five year budgets.
- **Capital Adequacy Risk:** This represents the risk of not maintaining the capital levels required to meet both regulatory and rating agency standards and the impacts of breaches in these capital requirements. Intra-group transactions, such as dividend payments to the AIG Group parent, and ceding insurance risk to internal counterparties are also connected to this risk. Key controls in the management of this risk revolve around the application of and adherence to a clearly defined capital management policy and an annual Capital Management Plan, which sets out target capital parameters and a strategy to maintain this over the life of the company's business planning period, in order to meet rating agency requirements, as well as meeting dividend payments to the AIG Group parent. In addition, AIG Europe Limited utilises capital support agreements between the Company and its ultimate parent.
- **Reputational Risk (Including Group Reputational Risk):** This represents the risk that adverse publicity regarding business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of AIG Group, which includes AIG Europe Limited. The Company seeks to manage this risk through the application of and adherence to a suite of corporate policies in place to control AIG Europe Limited's exposure to scenarios that could damage the AIG brand or AIG Europe Limited's immediate reputation as a company, as well as subjecting activities that carry material reputational risk to additional levels of governance and oversight.

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For the year ended 30 November 2014

OPERATIONAL RISK

Operational Risk is defined by the Company as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It is intrinsic to the Company's operations but is actively mitigated and managed. A description of each of the Company's eight categories of Operational Risk is shown below along with a summary description of the control methods the Company applies in seeking to mitigate these. There has been no material change in the Company's processes in respect of operational risk over the year.

Operational Risk is categorised into eight separate Risk Categories, which allows for a more focused risk assessment of Operational Risk within AIG Europe Limited.

AIG's Operational Risk Management ("ORM") Framework, which AIG Europe Limited aligns to, facilitates the identification, assessment, monitoring, and measurement of operational risk and promotes a culture where each employee has responsibility for managing operational risk. The ORM Framework establishes a structure within which the ORM process evolves commensurate with changes in the regulatory and business environment.

AIG Europe Limited's Operational Risk is primarily controlled through adherence to regional procedures which set out the territory specific controls in place to comply with AIG's centrally defined corporate policies. AIG Europe Limited monitors the appropriate application of these controls through adherence to the AIG ORM Framework.

Risk Category	Description
Execution, Delivery & Process Management	Risks associated with the failure to execute or process transactions timely or accurately with clients, counterparties and/or external vendors/suppliers.
Clients, Products & Business Practices	Risks associated with the unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product. It also includes non-compliance with laws, rules, regulations, agreements, prescribed practices and ethical standards.
Internal Fraud	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy which involves at least one internal party.
External Fraud	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations or the law by one or more third party.
Employment Practices & Workplace Safety	Risks associated with acts inconsistent with employment relation, health, safety and/or anti-discrimination laws or agreements.
Financial Integrity & Reporting	Risks associated with the disclosure of materially incorrect or untimely information, whether financial or non-financial, or the failure to disclose information to external or internal stakeholders or to the general public.
Business Disruption & Systems Failure	Risks associated with the interruption of business activity due to system and/or communication failures, the inaccessibility of information and/or the unavailability of utilities.
Damage to Physical Assets	Risks associated with the damage or unavailability of physical assets as a result of a natural disaster or other traumatic event.

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7. CAPITAL RISK MANAGEMENT

The Company maintains robust and sufficient capital to ensure the safety and stability of the Company whilst meeting regulatory, rating agency and other business needs.

The Company is regulated by the UK regulator, the Prudential Regulatory Authority (PRA). The Company is required to adhere to the rules set by the PRA and to maintain assets of a certain value over its liabilities throughout the course of the year. There are currently two regulatory regimes under the PRA – Solvency I and Individual Capital Adequacy Standards (ICAS).

Solvency I refers to the EU directive prescribing a method to calculate minimum capital requirements based on premiums and claims.

ICAS require an Individual Capital Assessment (ICA) which is a forward-looking, economic assessment of the capital requirements of the Company based on the assessment of risks to which it is exposed. Individual Capital Guidance (ICG), also part of the ICAS regime, may be set by the PRA at a higher level than the ICA if they deem that the Company's ICA does not reflect all the risks of the business. The models used to determine the ICA have been integrated into the Company's business processes and are used to enhance the management of the Company.

The Company remains fully compliant with both the ICA and Solvency I requirements.

The Company also maintains sufficient capital to support a single A rating from A.M. Best and Fitch, an A+ from Standard & Poor's and an A1 from Moody's. In addition, to provide against material shocks, the Company would normally expect to hold sufficient capital to maintain a significant economic surplus. Available capital comprises total equity and subordinated loans. The table below provides an analysis of the available capital and regulatory required capital under Solvency I.

	30 November 2014 £'m	30 November 2013 £'m
Shareholders' equity	3,458.5	3,210.1
Subordinated loan	50.0	50.0
Available capital	3,508.5	3,260.1
Adjustments to a regulated basis		
– Claims equalisation reserve	(134.4)	(103.7)
– Foreseeable dividend	(314.0)	-
– Regulatory valuations and admissibility restrictions	(73.4)	(75.5)
Available capital resources on Solvency I basis	2,986.7	3,080.9
Capital requirements under Solvency I	697.9	580.6
Regulatory capital surplus under Solvency I	2,288.8	2,500.3

Management information to monitor the Company's available capital and solvency position is produced and presented to the Company's Risk and Capital Committee on a regular basis. In the event of failure of the Company to meet any of its regulatory requirements, the Company can draw on a Capital Maintenance Agreement it has with the ultimate parent company, AIG Inc., to inject the required funds. The Company is also the beneficiary of a £300 million Letter of Credit provided by three well rated banks. The Company is able to draw down upon this facility on demand. Should a failure occur, the PRA have broad authority to require or take various regulatory actions including limiting or prohibiting the issue of new business, prohibiting the payment of dividends, or in extreme cases, putting the Company into rehabilitation or insolvency proceedings.

The European Commission, jointly with the Member States, has undertaken a fundamental review of the regulatory capital regime of the insurance industry commonly referred to as Solvency II. On the implementation of Solvency II, the current regulatory regimes will be replaced by a regime that is better matched to the risks of insurers, with the objective of ensuring a level playing field across the European Union. The implementation date of Solvency II is 1 January 2016.

The Company's branches, in common with other insurers, are subject to regulation and supervision by the states and jurisdictions in which they do business. The Company is not generally subject to supervision by state regulators, but certain transactions, such as those involving significant transactions with its branches and any transaction involving a change in control of the Company or any of its branches, may require the prior approval of state regulators.

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8. FAIR VALUE MEASUREMENT

The Company carries certain of its financial instruments at fair value. The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly arm's length transaction between willing and knowledgeable market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of observable valuation inputs. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, and the characteristics specific to the transaction, liquidity and general market conditions.

FAIR VALUE HIERARCHY

Financial assets recorded at fair value in the balance sheet are measured and classified in a hierarchy for disclosure purposes consisting of three levels based on the characteristics of inputs available in the marketplace that are used to measure the fair values as noted below:

Level 1

Financial assets included in this category are measured at fair value with reference to publically available quoted prices in active markets that the Company has the ability to access for identical assets. A financial instrument is regarded as being quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing service or regulatory agency and the prices quoted represent actual and regularly occurring market transactions conducted at an arm's length basis. Level 1 assets held by the Company include certain government and agency securities, corporate bonds, listed equities and derivative contracts actively traded, and most mutual funds.

Level 2

Financial assets included in this category are measured at fair value based on inputs other than quoted prices included in level 1 above, that are observable for the asset either directly or indirectly. Level 2 inputs include quoted market prices for similar assets in active markets, and other inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets measured at level 2 include certain government and agency securities, most investment grade and high yield corporate bonds, certain residential mortgage backed securities ("RMBS"), commercial mortgage backed securities ("CMBS") and collateralised debt obligations/asset backed securities ("CDO/ABS"), certain listed equities, state, municipal and provincial obligations, hybrid securities, mutual fund and hedge fund investments and certain derivative contracts.

Level 3

Financial assets included in this category are measured at fair value based on prices provided by brokers derived from valuation techniques (models) that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. Assets measured at level 3 include certain RMBS, CMBS and CDO/ABS, corporate bonds, certain municipal, sovereign and provincial obligations, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments. The Company's non financial instrument assets that are measured at fair value on a non recurring basis generally are classified as Level 3.

The following is a description of the valuation methodologies used for instruments carried at fair value:

VALUATION METHODOLOGIES

Fixed Income Securities

Whenever available, the Company obtains quoted prices in active markets for identical assets at the financial position date to measure fixed income securities at fair value in its available-for-sale portfolios. Market price data is generally obtained from dealer markets.

Management is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions. The Company employs independent third-party valuation service providers to gather, analyse, and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments. When the Company's valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted valuation models, provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, benchmark yields, interest rate yield curves, credit spreads, currency rates, quoted prices for similar securities and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued, including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other security or issuer-specific information. When market transactions or other market observable data is limited, the extent to which judgement is applied in determining fair value is greatly increased.

Notes to the Financial Statements

For the year ended 30 November 2014

The Company has processes designed to ensure that the values received are accurately recorded, that the data inputs and the valuation techniques utilised are appropriate and consistently applied and that the assumptions are reasonable and consistent with the objective of determining fair value. The Company assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from the Company's valuation service providers to other third-party valuation sources for selected securities. The Company also validates prices for selected securities obtained from brokers through reviews by members of management who have relevant expertise and who are independent of those charged with executing investing transactions.

The methodology described above is relevant for all fixed income securities. The following paragraphs set out certain procedures unique to specific classes of securities.

Fixed Income Securities Issued by Government Entities

For most debt securities issued by government entities, the Company obtains fair value information from independent third-party valuation service providers, as limited quoted prices in active markets are available for debt securities issued by government entities. The fair values received from these valuation service providers may be based on a market approach using matrix pricing, which considers a security's relationship to other securities for which a quoted price in an active market may be available, or alternatively based on an income approach, which uses valuation techniques to convert future cash flows to a single present value amount.

Fixed Income Securities Issued by Corporate Entities

For most debt securities issued by corporate entities, the Company obtains fair value information from third-party valuation service providers. For certain corporate debt securities, the Company obtains fair value information from brokers.

RMBS, CMBS, CDOs and Other ABS

Third-party valuation service providers also provide fair value information for the majority of the Company's investments in RMBS, CMBS, CDOs and other ABS. Where pricing is not available from valuation service providers, the Company obtains fair value information from brokers. Broker prices may be based on an income approach, which converts expected future cash flows to a single present value amount, with specific consideration of inputs relevant to structured securities, including ratings, collateral types, geographic concentrations, underlying loan vintages, loan delinquencies, and weighted average coupons and maturities. Broker prices may also be based on a market approach that considers recent transactions involving identical or similar securities. When the volume or level of market activity for an investment in RMBS, CMBS, CDOs or other ABS is limited, certain inputs used to determine fair value may not be observable in the market.

Equity Securities

Equity securities held by the Company relate to investments in unquoted entities where the Company does not have any significant influence. Since these equity investments do not have a quoted market price in an active market and fair values cannot be reliably measured, they are held at cost in accordance with IAS 39.

Short-Term Investments

Short-Term Investments are held at amortised cost in line with their classification as loans and receivables under IAS 39. Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant period by applying the effective interest rate to the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Loans Receivable

The Company holds Loans Receivable at amortised cost in line with their classification as loans and receivables under IAS 39. Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant period by applying the effective interest rate to the carrying amount of the asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Mutual Funds

Quoted prices in active markets for these assets are obtained at the balance sheet date to measure at fair value of these marketable equity securities in our available for sale portfolios. Market price data is generally obtained from exchange or dealer markets.

Freestanding Derivatives

Derivative assets and liabilities can be exchange-traded or traded over-the-counter (OTC). We generally value exchange-traded derivatives such as futures and options using quoted prices in active markets for identical derivatives at the balance sheet date.

OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. We generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgement.

Notes to the Financial Statements

For the year ended 30 November 2014

For certain OTC derivatives that trade in less liquid markets, where we generally do not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, the transaction price may provide the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so the model value at inception equals the transaction price. We will update valuation inputs in these models only when corroborated by evidence such as similar market transactions, third party pricing services and/or broker or dealer quotations, or other empirical market data. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The following table shows an analysis of financial instruments at fair value by each level within the fair value hierarchy:

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
At 30 November 2014				
Assets:				
Available-for-sale debt securities				
– Fixed income securities issued by Government entities	62.5	2,666.8	-	2,729.3
– Fixed income securities issued by corporate entities	-	4,703.6	-	4,703.6
– RMBS	-	151.0	278.3	429.3
– CMBS	-	53.7	55.9	109.6
– CDO/ABS	-	-	246.4	246.4
Total available-for-sale debt securities (note 22)	62.5	7,575.1	580.6	8,218.2
Available-for-sale equity securities:				
Mutual funds	198.0	-	-	198.0
Total available-for-sale equity securities (note 22)	198.0	-	-	198.0
Total assets	260.5	7,575.1	580.6	8,416.2
Liabilities:				
Derivative liabilities				
– At fair value through profit and loss	-	(12.4)	-	(12.4)
Total liabilities (note 32)	-	(12.4)	-	(12.4)
At 30 November 2013				
Assets:				
Available-for-sale debt securities				
– Fixed income securities issued by Government entities	48.6	2,799.6	-	2,848.2
– Fixed income securities issued by corporate entities	-	4,566.9	-	4,566.9
– RMBS	-	187.8	330.0	517.8
– CMBS	-	66.2	121.0	187.2
– CDO/ABS	-	-	242.7	242.7
Total available-for-sale debt securities (note 22)	48.6	7,620.5	693.7	8,362.8
Available-for-sale equity securities:				
Equity instruments	-	-	14.1	14.1
Mutual funds	52.4	-	-	52.4
Total available-for-sale equity securities (note 22)	52.4	-	14.1	66.5
Total assets	101.0	7,620.5	707.8	8,429.3
Liabilities:				
Derivative liabilities				
– At fair value through profit and loss	-	(58.1)	-	(58.1)
Total liabilities (note 32)	-	(58.1)	-	(58.1)

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For the year ended 30 November 2014

Transfers of Level 1 and Level 2 Assets and Liabilities

The Company's policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as of the end of each reporting year, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 30 November 2014, the Company transferred certain debt securities issued by various Governments with a carrying value of £20.0 million (2013: £2.2 million) from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the year ended 30 November 2014, the Company transferred assets with a carrying value of £nil million (2013: £48.8 million) from Level 2 to Level 1.

Reconciliation of Movements in Level 3 Financial Investments at Fair Value

A reconciliation of the movements during the year of financial assets measured using inputs not based on observable market data is shown below:

	30 November 2014 £'m	30 November 2013 £'m
Fair value at beginning of year (1 December)	707.8	258.0
Transfers in on group restructuring	-	14.1
Additions	68.6	537.7
Disposals	(182.4)	(125.1)
Total gains and losses attributable to change in unrealised gains/losses relating to those assets and liabilities, recognised in profit for the year	(1.6)	(0.9)
Total gains and losses recognised in other comprehensive income	17.2	25.6
Transfers in from other levels	3.7	3.7
Transfers out to other levels	(12.7)	-
Reclassification to Cost	(10.7)	-
Foreign exchange movements	(9.3)	(5.3)
Fair value at end of year (30 November)	580.6	707.8

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the net unrealised gains and losses on instruments held at 30 November 2013 and 2014 may include changes in fair value that were attributable to both observable (e.g. changes in market interest rates) and unobservable inputs (e.g. changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

The Company's policy is to transfer assets and liabilities into Level 3 when a significant input cannot be corroborated with market observable data. This may include circumstances in which market activity has dramatically decreased and transparency to underlying inputs cannot be observed, current prices are not available, and substantial price variances in quotations among market participants exist. Assets are transferred out of Level 3 when circumstances change such that significant inputs can be corroborated with market observable data. This may be due to a significant increase in market activity for the asset, a specific event, one or more significant input(s) becoming observable, or when a long-term interest rate significant to a valuation becomes short term and thus observable.

Quantitative Information about Level 3 Fair Value Measurements

The table below provides information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments.

	Fair Value at 30 November 2014 £'m	Valuation Technique	Unobservable Inputs
RMBS	278.3	Discounted cash flow	Constant prepayment rate/Loss severity Constant default rate/Yield
CMBS	55.9	Discounted cash flow	Yield
CDO/ABS	246.4	Discounted cash flow	Constant prepayment rate/Loss severity Constant default rate/Yield
Total	580.6		

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For the year ended 30 November 2014

Sensitivity to Changes in Unobservable Inputs

The Company considers unobservable inputs to be those for which market data is not available and that are developed using the best information available to the Company about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following is a general description of sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Inter-relationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

For Level 3 investments, changing unobservable valuation inputs to a reasonable alternative would result in a increase in total equity of £36.0 million (2013: £47.2 million) under a favourable scenario and a decrease of £39.9 million (2013: £52.4 million) under an unfavourable scenario. This value was derived using the structured products module of the Company's Economic Capital Model which is a stochastic model that uses discounted cash flow modelling to capture the financial risks of these assets under different scenarios.

RMBS and CDO/ABS

The significant unobservable inputs used in fair value measurements of RMBS and certain CDO/ABS valued by third party valuation service providers are constant prepayment rates (CPR), constant default rates (CDR), loss severity and yield. A change in the assumptions used for the probability of default will generally be accompanied by a corresponding change in the assumption used for the loss severity and an inverse change in the assumption used for prepayment rates.

In general, increases in yield, CPR, CDR, and loss severity, in isolation, would result in a decrease in the fair value measurement. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship between the directional change of each input is not usually linear.

CMBS

The significant unobservable input used in fair value measurements for CMBS is the yield. Prepayment assumptions for each mortgage pool are factored into the yield. CMBS generally feature a lower degree of prepayment risk than RMBS because commercial mortgages generally contain a penalty for prepayment. In general, increases in the yield would decrease the fair value of CMBS.

9. EXCHANGE RATES

The Company's overseas branches during the year were located within the European continent. Branch operations and associated cash flows of European overseas branches have been translated into pounds sterling at the average rate for the year and their assets and liabilities at the closing rate for the year. The euro, Swiss franc and US dollar functional currency branch operations were converted at the rates set out below:

	2014	2013
Euro:		
Average rate (€1 equals)	**£0.810**	£0.847
Closing rate (€1 equals)	**£0.795**	£0.830
CHF:		
Average rate (CHF 1 equals)	**£0.666**	£0.689
Closing rate (CHF 1 equals)	**£0.662**	£0.674
USD:		
Average rate (USD 1 equals)	**£0.604**	£0.640
Closing rate (USD 1 equals)	**£0.640**	£0.611

Notes to the Financial Statements

For the year ended 30 November 2014

10. NET EARNED INSURANCE PREMIUM REVENUE

	2014 £'m	2013 £'m
Premium revenue from insurance contracts issued:		
Gross written premium in period	4,814.7	4,863.8
Gross written premium transferred in on group restructuring	20.9	780.7
Change in unearned premium provision	(99.1)	(836.8)
Insurance premium revenue	4,736.5	4,807.7
Premium revenue ceded to reinsurers on insurance contracts issued:		
Premium ceded to reinsurers in period	(1,327.7)	(1,382.5)
Premium ceded to reinsurers transferred in on group restructuring	(17.1)	(267.0)
Change in unearned premium provision	12.0	172.9
Insurance premium ceded to reinsurers	(1,332.8)	(1,476.6)
Net earned insurance premium revenue	3,403.7	3,331.1

Gross written premiums and premium ceded to reinsurers transferred in on the acquisition of the branches during the years ended 30 November 2014 and 30 November 2013 represents the balance of outstanding unearned premiums written and ceded by those branches at the date of their acquisition by the Company.

Net premium written, being gross written premium for the year less premium ceded to reinsurers in the year, was £3,487.0 million (2013: £3,481.3 million).

11. NET INVESTMENT INCOME

	2014 £'m	2013 £'m
Interest income from debt securities		
– Available-for-sale financial assets	271.8	227.0
Interest income		
– From loans and receivables	5.6	1.0
– From cash and cash equivalents	1.0	4.3
Net amortisation of (premium)/discount on purchase of financial assets	(42.3)	(13.1)
Impairment charge for the year (note 22)	(4.9)	(1.3)
Dividend income from financial investments (note 39)	5.0	17.0
Investment management expenses	(11.9)	(9.6)
	224.3	225.3

12. NET REALISED GAINS ON FINANCIAL ASSETS

	2014 £'m	2013 £'m
Net realised gains on financial assets - available for sale		
– Debt securities	71.8	26.1
	71.8	26.1

Notes to the Financial Statements

For the year ended 30 November 2014

13. NET UNREALISED GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME

	2014 £'m	2013 £'m
Net unrealised gains on financial assets at fair value through income:		
– Derivative financial instruments (note 32)	**50.8**	(20.7)
Transfer of (gain)/loss on hedge accounted derivative to other comprehensive income (note 28)	**(50.8)**	20.7
	-	-

14. OTHER INCOME

	2014 £'m	2013 £'m
Reinsurance commissions receivable	**146.5**	156.3
Change in deferred reinsurance commissions	**0.3**	8.2
Rental income from property	**7.1**	4.2
Policy fee income	**12.7**	-
Net foreign exchange gains	**31.0**	6.3
	197.6	175.0

15. NET INSURANCE CLAIMS

	Gross £'m	Reinsurance £'m	Net £'m
2014			
Gross claims paid and reinsurance recoveries receivable	**2,600.4**	**(741.1)**	**1,859.3**
Movement in claims provision	**(132.3)**	**402.5**	**270.2**
	2,468.1	**(338.6)**	**2,129.5**
2013			
Gross claims paid and reinsurance recoveries receivable	2,715.2	(930.6)	1,784.6
Movement in claims provision	(388.9)	462.0	73.1
	2,326.3	(468.6)	1,857.7

An analysis of the movement in claims provisions is provided in note 30.

16. NET OPERATING EXPENSES

	2014 £'m	2013 £'m
Acquisition costs	**667.2**	708.7
Change in deferred acquisition costs	**(28.4)**	(29.2)
Administrative expenses	**722.6**	662.1
	1,361.4	1,341.6

Net operating expenses include £317.9 million (2013: £235.8 million) charged to the Company by related parties. Refer to note 39 for an analysis of these amounts. Finance costs of £1.8 million (2013: £1.8 million) were incurred during the year on subordinated debt. Refer to note 31 for these borrowings.

Notes to the Financial Statements

For the year ended 30 November 2014

17. INCOME TAX EXPENSE

A. TAX CHARGE TO THE PROFIT FOR THE YEAR

i) Analysis of the Tax Charge for the Year

	2014 £'m	2013 £'m
Current tax:		
For the current year	98.6	153.5
Adjustments in respect of previous years	2.6	5.3
Total current tax	101.2	158.8
Deferred tax:		
Effect of taxation treatment of technical reserves	(6.0)	(5.6)
Capital allowances lower than / (in excess of) depreciation	(0.6)	2.4
Effect of taxation treatment for pension	2.4	1.3
Effect of changes in tax rate	0.7	1.8
Deferred acquisition costs	0.2	15.8
Share based payments	(2.0)	(1.4)
Other	2.6	(0.4)
Adjustments in respect of previous years	(7.5)	2.1
Total deferred tax expense/(credit)	(10.2)	16.0
Income tax expense for the year	91.0	174.8

The income tax expense for the year is further analysed as follows:	2014 £'m	2013 £'m
UK tax	62.7	89.4
Overseas tax	28.3	85.4
	91.0	174.8

ii) Analysis of the Factors Affecting the Tax Charge for the Year

The tax assessed for the year is higher than the standard rate of corporation tax for the UK. The differences are explained below:

	2014 £'m	2013 £'m
Profit on ordinary activities before tax	406.5	558.2
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.67% (2013: 23.33%)	88.1	130.2
Effects of		
– Other discrete items	3.1	6.1
– Permanent differences	2.0	5.8
– Adjustments to taxation charge in respect of previous years	2.6	5.3
– Effect of tax rate differences	4.7	16.8
– Adjustment for prior year deferred tax balances	(7.5)	2.2
– Deferred tax attributes not recognised	(2.0)	8.4
Tax charged for the period	91.0	174.8

The Finance Act 2013 (passed 17 July 2013) reduced the standard rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015.

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For the year ended 30 November 2014

B. TAX CHARGE/(CREDIT) TO OTHER COMPREHENSIVE INCOME

	2014 £'m	2013 £'m
Current tax:		
Items that may be reclassified subsequently to profit and loss		
– In respect of fair value movements on financial assets	73.6	(9.6)
– In respect of translation of overseas branches	-	0.8
Total current tax	73.6	(8.8)
Deferred tax:		
Items that may be reclassified subsequently to profit and loss		
– In respect of fair value movements on financial assets	(54.0)	-
Items that will not be reclassified subsequently to profit and loss		
– In respect of pensions	(5.7)	1.5
Total deferred tax	(59.7)	1.5
Tax (credit)/charge to other comprehensive income	13.9	(7.3)

18. PROFIT FOR THE YEAR

	2014 £'m	2013 £'m
Profit for the year is stated after charging		
– Amortisation of intangible assets (note 19)	1.7	5.0
– Depreciation charge for the year (note 21)	8.6	7.0
– Impairment charges for the year (note 21, 22)	4.9	2.5
– Operating leases	15.7	16.7

Impairment charges for the year comprise an impairment of £4.9 million (2013: £1.3 million) on debt securities (note 11) and impairment of land and buildings in Cyprus £nil (2013: £1.2 million).

Auditors' Remuneration

Remuneration paid to the Company's auditors, PricewaterhouseCoopers LLP, included within net operating expenses, is set out below:

	2014 £'m	2013 £'m
Fees paid to the Company's Auditor and its associates for the audit of the financial statements	2.0	1.5
Fees paid to the Company's Auditor and its associates for other services		
– The audit of Company's subsidiaries	0.2	0.2
– Audit related assurance services	0.2	0.3
– Other assurance services	0.1	-
– Tax advisory services	0.4	0.6
– Tax compliance services	0.3	0.1
– Other non-audit services	0.2	-
	3.4	2.7

Advisory services include professional services provided to the Company in relation to tax.

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For the year ended 30 November 2014

Employee Costs

The table below sets out the staff costs incurred directly by AIG Europe Limited.

	2014 £'m	2013 £'m
Wages and salaries	**262.2**	252.1
Social security costs	**38.1**	32.0
Post retirement benefits		
– Defined benefit schemes	**4.3**	7.5
– Defined contribution schemes	**12.6**	6.9
Termination benefits	**12.7**	5.7
	329.9	304.2

The average number of persons employed directly by the Company (including directors) during the year were:

	2014 Number	2013 Number
Europe	**5,264**	4,976

Directors' Emoluments	2014 £'m	2013 £'m
Aggregate emoluments	**3.8**	1.8
Aggregate value of contributions in respect of money purchase pension scheme	-	0.1
Highest paid director:		
– Emoluments of the highest paid director	**1.7**	0.6
– Contributions to money purchase pension scheme of the highest paid director	-	0.1

For both years presented, no directors were members of the defined benefits pension scheme operated by the Company. Amounts paid in the year to directors in respect of long-term incentive schemes for qualifying service was £0.9 million (2013: £0.4 million).

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19. INTANGIBLE ASSETS

	Software development £'m	Acquired brands and other £'m	Total £'m
Cost:			
Balance at 1 December 2012	-	-	-
Transfers in on group restructuring	11.2	21.6	32.8
Additions	4.8	0.8	5.6
Disposals	(2.0)	-	(2.0)
Foreign exchange movements	0.4	0.7	1.1
Balance at 30 November 2013	**14.4**	**23.1**	**37.5**
Additions	**0.2**	**0.1**	**0.3**
Disposals	**(0.1)**	**-**	**(0.1)**
Foreign exchange movements	**(0.4)**	**(1.2)**	**(1.6)**
Balance at 30 November 2014	**14.1**	**22.0**	**36.1**
Amortisation and impairment:			
Balance at 1 December 2012	-	-	-
Transfers in on group restructuring	4.2	15.6	19.8
Amortisation charge for the year	5.0	-	5.0
Disposals	(2.1)	-	(2.1)
Foreign exchange movements	0.3	0.5	0.8
Balance at 30 November 2013	**7.4**	**16.1**	**23.5**
Amortisation charge for the year:	**1.5**	**0.2**	**1.7**
Foreign exchange movements	**(0.1)**	**(0.9)**	**(1.0)**
Balance at 30 November 2014	**8.8**	**15.4**	**24.2**
Carrying amount:			
At 30 November 2014	**5.3**	**6.6**	**11.9**
At 30 November 2013	7.0	7.0	14.0

Notes to the Financial Statements

For the year ended 30 November 2014

20. INVESTMENTS IN GROUP UNDERTAKINGS

	30 November 2014 £'m	30 November 2013 £'m
At beginning of year (1 December)	177.0	18.8
Transfers in/(out) on group restructuring	(9.3)	147.4
Acquisition during the year	-	9.3
Disposal during the year	-	(0.9)
Foreign exchange movements	(6.3)	2.4
At end of year (30 November)	161.4	177.0

Subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest/voting power held by the company 2014	2013
AIG Assurances IARD (France)	General Insurance	France	0.0%	100.0%
AIG Building (UK) Limited	Non Trading Company	United Kingdom	100.0%	100.0%
AIG Europe (Services) Limited	Administrative services	United Kingdom	100.0%	100.0%
AIG Germany Holding GmbH	Non Insurance Holding Company	Germany	100.0%	100.0%
AIG Global Reinsurance	Reinsurance Administration	Belgium	100.0%	100.0%
Chartis Romania S.A	Inactive	Romania	100.0%	100.0%
Hansa GmbH	Property management	Germany	100.0%	100.0%
Hansa Grundstuckverwaltungs GmbH & Co KG	Real Estate Company	Germany	94.5%	94.5%

On 1 December 2013, the Company assumed all insurance assets and liabilities and simultaneously merged with AIG Assurances IARD (AAI). AAI was subsequently dissolved without going into liquidation. Refer to note 5.

In the prior financial year, the Company completed the disposal of 5.498% of its interest in Hansa Grundstuckverwaltungs GmbH & Co KG to AIG Property Casualty Inc. for £0.7 million cash consideration which resulted in a reduction of £0.9 million to the carrying value of the Company's investments in Group Undertakings.

Notes to the Financial Statements

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21. PROPERTY AND EQUIPMENT

	Land and buildings £'m	Leasehold improvements and Fixtures & Fittings £'m	Total £'m
Cost or valuation:			
Balance at 1 December 2012	17.1	7.0	24.1
Transfers in on group restructuring	4.3	50.5	54.8
Additions	87.8	5.9	93.7
Disposals	-	(2.6)	(2.6)
Foreign exchange movements	0.3	0.7	1.0
Balance at 30 November 2013	109.5	61.5	171.0
Additions	**0.1**	**6.2**	**6.3**
Disposals	**-**	**(3.5)**	**(3.5)**
Foreign exchange movements	**(0.5)**	**(2.5)**	**(3.0)**
Balance at 30 November 2014	**109.1**	**61.7**	**170.8**
Accumulated depreciation and impairment:			
Balance at 1 December 2012	0.9	2.4	3.3
Transfers in on group restructuring	1.7	39.2	40.9
Charge for the year	2.1	4.9	7.0
Disposals	-	(0.9)	(0.9)
Impairment losses recognised in income	1.2	-	1.2
Foreign exchange movements	-	0.6	0.6
Balance at 30 November 2013	5.9	46.2	52.1
Charge for the year	**4.8**	**3.8**	**8.6**
Disposals	**-**	**(2.3)**	**(2.3)**
Foreign exchange movements	**(0.1)**	**(1.9)**	**(2.0)**
Balance at 30 November 2014	**10.6**	**45.8**	**56.4**
Carrying amount:			
At 30 November 2014	**98.5**	**15.9**	**114.4**
At 30 November 2013	103.6	15.3	118.9

The Company's property portfolio is located in the United Kingdom, Greece, Cyprus and Netherlands. The Group's land and buildings are stated at their revalued amounts, representing the fair value at the date of revaluation, less any subsequent depreciation and accumulated impairment losses.

Under the revaluation model applied, the portfolio is regularly reviewed so that the carrying value of the assets do not differ materially from the fair value.

Notes to the Financial Statements

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Cost Model

The carrying amount of land and buildings that would have been recognised in the Statement of Financial Position under the cost model at 30 November 2014 was £91.1 million (30 November 2013: £95.5 million).

The Company's land and buildings are stated at their revalued amounts, representing the fair value at the date of revaluation, less any subsequent depreciation and accumulated impairment losses. The Company's land and buildings across the regions were last valued as follows:

Country	Valuation Date	Valuation Company
Cyprus	02/12/2013	Cleon Lacovides & Associates Ltd
Greece	05/06/2012	Zonal System as set out by Ministry of Finance in Greece
Netherlands	31/12/2012	CBRE Valuation Advisory
UK (Croydon)	30/11/2010	Vail Williams LLP
UK (London)	30/11/2012	CBRE Limited

The valuation methods utilised include the comparable method which compares the subject asset with similar assets for which information is available, and the hard core traditional method, which measures the value of property by an estimate of current market rental value plus any capital costs for fittings.

The valuations have been adjusted by taking consideration of interest rates, yield curves observable as well as implied risk and mitigating factors.

Details of the Company's land and buildings and information regarding the fair value hierarchy as at 30 November 2014 are as follows:

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Fair Value £'m
At 30 November 2014	**-**	**98.5**	**-**	**98.5**
At 30 November 2013	-	103.6	-	103.6

In the prior financial year, AIG UK Buildings Limited transferred the leasehold title of its property in London to AIG Europe Holding Limited, which was subsequently purchased by the Company for cash consideration of £87.8 million. The Company also conducted a fair value review on Cyprus property with qualified external valuers, which resulted in an impairment charge of £1.2 million recognised in the Statement of Profit and Loss of 2013.

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For the year ended 30 November 2014

22. FINANCIAL INVESTMENTS

A. ANALYSIS OF FAIR VALUE

The following is an analysis of the cost/amortised cost, unrealised gains and losses, impairments and fair value of financial investments.

	Amortised cost or cost £'m	Unrealised gains £'m	Unrealised losses and impairments £'m	Total £'m
At 30 November 2014				
Available-for-sale debt securities				
– Government and governmental agencies	**2,632.5**	**98.8**	**(2.0)**	**2,729.3**
– Corporate debt	**4,443.2**	**270.7**	**(10.3)**	**4,703.6**
– RMBS	**408.3**	**24.9**	**(3.9)**	**429.3**
– CMBS	**108.8**	**1.8**	**(1.0)**	**109.6**
– CDO/ABS	**259.3**	**0.2**	**(13.1)**	**246.4**
Total debt securities at available-for-sale	**7,852.1**	**396.4**	**(30.3)**	**8,218.2**
Available-for-sale equity instruments				
– Mutual funds	**171.0**	**27.0**	**-**	**198.0**
Total equity securities at available-for-sale	**171.0**	**27.0**	**-**	**198.0**
Loans and Receivables				
– Loan participations	**151.0**	**-**	**-**	**151.0**
– Deposits with financial institutions	**47.0**	**-**	**-**	**47.0**
Total loans and receivables	**198.0**	**-**	**-**	**198.0**
Cost				
– Equity Instruments	**10.7**	**-**	**-**	**10.7**
Total cost	**10.7**	**-**	**-**	**10.7**
Total	**8,231.8**	**423.4**	**(30.3)**	**8,624.9**
At 30 November 2013				
Available-for-sale debt securities				
– Government and governmental agencies	2,773.0	87.1	(11.9)	2,848.2
– Corporate debt	4,353.0	231.0	(17.1)	4,566.9
– RMBS	501.7	20.5	(4.4)	517.8
– CMBS	186.0	2.1	(0.9)	187.2
– CDO/ABS	248.8	0.9	(7.0)	242.7
Total debt securities at available-for-sale	8,062.5	341.6	(41.3)	8,362.8
Available-for-sale equity instruments				
– Common and preferred stocks	22.7	4.9	(13.5)	14.1
– Mutual funds	26.2	26.2	-	52.4
Total equity securities at available-for-sale	48.9	31.1	(13.5)	66.5
Loans and Receivables				
– Loan participations	41.8	-	-	41.8
– Deposits with financial institutions	6.4	-	-	6.4
Total loans and receivables	48.2	-	-	48.2
Total	8,159.6	372.7	(54.8)	8,477.5

Notes to the Financial Statements

For the year ended 30 November 2014

Included in the analysis of fair value of financial investments are available-for-sale debt securities that have been pledged as collateral in respect of margin calls on the Company's derivative financial instruments, as well as tied assets required for regulatory purposes as collateral against insurance liabilities. The debt securities pledged as collateral are held in separate custodian accounts; however, as substantially all of the risks and rewards of ownership of these investments have been retained by the Company, the investments have not been derecognised. The total amount of debt securities pledged as collateral at 30 November 2014 was £554.7 million (2013: £126.4 million).

B. IMPAIRMENT OF FINANCIAL INVESTMENTS – EVALUATING INVESTMENTS FOR IMPAIRMENT

Fixed Income Securities

The evaluation of impairment of fixed income securities is a two-step process. First, AIG performs an impairment review of the debt security on an instrument-by-instrument basis at each Statement of Financial Position date. The aim of this review is to determine whether there is objective evidence that impairment exists for a fixed income security. Secondly, if there is objective evidence of impairment, AIG measures and records the impairment loss in that reporting year. A fixed income security is impaired and impairment losses are recognised at the Statement of Financial Position date only if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset.

It may not always be possible to identify a single, discrete event that causes an impairment. Rather, the combined effect of several events may cause an impairment. The loss event must have a reliably measurable effect on the present value of estimated future cash flows and be supported by current observable data. Losses expected as a result of future events (as opposed to past events), no matter how likely, are not recognised. That is, the impairment model for fixed income securities is based on the "incurred loss" model and not on an "expected loss" model.

Objective evidence includes observable data that comes to AIG's attention as the holder of the security. Indicators that a fixed income security is impaired include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- A lender, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the lender would not otherwise consider;
- It becoming probable that the issuer will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that security because of financial difficulties;
- Changes in the issuer's financial environment evidenced by changes in factors such as liquidity;
- Worsening credit rating, profitability, cash flow, debt/equity ratio and level of dividend payment;
- Length of time fair value has been below cost; and
- Subsequent sales of similar securities at a loss.

The disappearance of an active market or the downgrade of an entity's credit rating is not in itself evidence of impairment, although it may be evidence of impairment when considered with other information.

For available for sale fixed income securities, if there is objective evidence that an impairment loss on the security has been incurred and a decline in the fair value of an AFS security has been recognised in OCI, the cumulative loss that has been recognised in OCI is be reclassified to profit or loss (i.e. realised capital gains and losses). The cumulative loss is the difference between the amortised cost and the current fair value of the security, less any impairment loss on the security previously recognised in profit or loss (i.e. realised capital gains and losses).

The movements in impairment on available-for-sale financial investments for the years ended 30 November 2014 and 2013 were as follows:

	Debt securities £'m
At 1 December 2012	(3.6)
Charge for the year recognised in statement of profit or loss	(1.3)
At 30 November 2013	**(4.9)**
Charge for the year recognised in statement of profit or loss	**(4.9)**
At 30 November 2014	**(9.8)**

Notes to the Financial Statements

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23. REINSURANCE ASSETS

In the ordinary course of business, the Company places reinsurance with affiliated and unaffiliated reinsurance and insurance companies in order to manage exposures by limiting its maximum net loss arising from large risks or catastrophic events. In addition, the Company assumes reinsurance from reinsurance and insurance companies.

A variety of traditional reinsurance products are used in connection with the Company's risk management strategy. These products include excess of loss treaties which are designed to limit exposure to potentially substantial losses, and quota share treaties which cover specific lines of business. Facultative reinsurance is also used to manage large policy specific individual risk exposures. The Company utilises catastrophe reinsurance treaties to manage its exposure to losses resulting from natural catastrophes and other events which may result in significant losses.

Ceded premiums for prospective reinsurance contracts are considered prepaid insurance premiums and are recognised as a reduction of premiums earned over the contract period, which approximates the period of risk over which insurance protection is provided, in proportion to the coverage received. Amounts recoverable from reinsurers are estimated in a manner consistent with the loss reserves associated with the reinsurance and presented as a component of reinsurance assets. Assumed reinsurance premiums are earned primarily on a pro-rata basis over the terms of the reinsurance contracts.

	30 November 2014 £'m	30 November 2013 £'m
Reinsurers' share of provisions for claims	2,302.5	2,491.8
Reinsurers' share of unearned premiums	560.4	556.7
Total reinsurance assets	2,862.9	3,048.5
Amounts to be settled within one year*	1,029.0	1,228.0
Amounts to be settled after one year*	1,833.9	1,820.5
	2,862.9	3,048.5

* 2013 comparatives have been reclassified to be consistent with current year presentation.

An analysis of movements in reinsurance assets is included in note 30.

24. DEFERRED ACQUISITION COSTS

	30 November 2014 £'m	30 November 2013 £'m
Carrying amount at beginning of year (1 December)	230.7	100.0
Transfers in on group restructuring (note 5)	2.0	99.7
Net movement in the year	28.4	29.2
Foreign exchange movements	(7.6)	1.8
Carrying amount at end of year (30 November)	253.5	230.7

All amounts are expected to be recoverable within one year. There were no impairments of deferred acquisition costs for the years ended 30 November 2014 and 2013.

Notes to the Financial Statements

For the year ended 30 November 2014

25. OTHER RECEIVABLES, INCLUDING INSURANCE RECEIVABLES

	30 November 2014 £'m	30 November 2013 £'m
Receivables arising out of direct insurance operations		
– Due from intermediaries	946.5	895.1
– Due from policyholders	137.2	79.6
– Due from related parties	33.7	46.6
	1,117.4	1,021.3
Receivables arising out of reinsurance operations	182.0	176.7
Other receivables		
– Accrued interest and rent	119.7	129.8
– Prepayments	11.6	13.9
– Pension Asset	12.2	13.3
– Other receivables	158.7	159.0
	1,601.6	1,514.0
Amounts to be settled within one year	1,601.6	1,514.0
Amounts to be settled after one year	-	-
	1,601.6	1,514.0

The fair value of other receivables, including insurance receivables does not differ materially from their amortised cost.

There is no concentration of credit risk with respect to other receivables, including insurance receivables, as the Company has a large number of dispersed debtors.

26. CASH AND CASH EQUIVALENTS

	30 November 2014 £'m	30 November 2013 £'m
Cash at bank and in hand	105.4	54.5
Short-term deposits with credit institutions	46.7	388.5
	152.1	443.0

The effective interest rate on short-term deposits with credit institutions was 0.94% (2013: 0.10%) and has an average maturity of 12.3 days (2013: 4.5 days).

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	30 November 2014 £'m	30 November 2013 £'m
Cash and cash equivalents, as above	152.1	443.0
Less: bank overdrafts (note 31)	(1.3)	(1.5)
	150.8	441.5

Group Reconstructions, Net Cash Acquired Breakdown	30 November 2014 £'m	30 November 2013 £'m
Cash balances acquired, net of cash consideration paid on group restructuring	48.5	132.6
Net proceeds from acquisition and disposals of investments in group undertakings during the year	(0.6)	(7.8)
Foreign exchange movements	-	0.3
	47.9	125.1

Notes to the Financial Statements

For the year ended 30 November 2014

27. SHARE CAPITAL AND SHARE PREMIUM

Ordinary Shares at £1 Each	Number	Share capital £'m	Share premium £'m
At 1 December 2012	103,412,144	103.4	779.3
Shares issued on group restructuring	93,706,334	93.7	478.0
At 30 November 2013	197,118,478	197.1	1,257.3
Shares issued in year	1	-	3.0
At 30 November 2014	197,118,479	197.1	1,260.3

On 1 December, 2013, the Company completed a simultaneous asset purchase and portfolio transfer of the insurance operations of Chartis Excess Limited, as detailed in note 5. The Company issued one ordinary share at a premium of £3.0 million.

During 2013, upon merger of CESA, as described in note 5, the Company issued 93,706,334 ordinary shares with a nominal value of £93.7 million to AIG Europe Holdings Limited.

Share premium recognised on the shares issued in 2013 has been determined after taking advantage of reliefs available in section 611 and 615 of the Companies Act 2006. Share Premium of £478.0 million was created upon issuance of these shares, equal to the "minimum premium value' prescribed by the Act.

28. OTHER RESERVES

	Currency translation reserve £'m	AFS fair value reserve £'m	Other reserves £'m	Total other reserves £'m
At 1 December 2012	(2.8)	142.3	0.6	140.1
Net capital contribution arising from group reconstructions	(59.4)	193.5	0.1	134.2
Fair value gains and losses	-	(73.5)	-	(73.5)
Foreign exchange movements	31.2	-	-	31.2
Loss on hedging instrument designated for hedges of net investment of overseas branches	(20.7)	-	-	(20.7)
At 30 November 2013	(51.7)	262.3	0.7	211.3
Fair value gains and losses	-	28.4	-	28.4
Foreign exchange movements	(83.4)	-	-	(83.4)
Gain on hedging instrument designated for hedges of net investment of overseas branches	50.8	-	-	50.8
At 30 November 2014	(84.3)	290.7	0.7	207.1

Notes to the Financial Statements

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29. RETAINED EARNINGS

	Retained earnings £'m
At 1 December 2012	432.3
Profit for the year	383.4
Net capital contribution arising from group reconstructions	1,099.0
Other comprehensive income	7.5
Dividends	(385.0)
Equity settled share based payment schemes	7.2
At 30 November 2013	**1,544.4**
Profit for the year	**315.5**
Net capital contribution arising from group reconstructions	**(1.3)**
Other comprehensive income	**(12.6)**
Dividends	**(62.0)**
Equity settled share based payment schemes	**10.0**
At 30 November 2014	**1,794.0**

During 2014, dividends of £0.31 (2013: £1.95) per ordinary share amounting to £62.0 million (2013: £385.0 million), were declared and paid by the Board of Directors.

30. INSURANCE LIABILITIES

	30 November 2014 £'m	30 November 2013 £'m
Gross:		
Claims reported	**4,046.6**	4,023.3
Claims incurred but not reported (IBNR)	**3,017.6**	3,053.6
Loss adjustment expenses	**246.3**	208.4
Unearned premiums	**1,949.6**	1,878.3
Total insurance liabilities, gross	**9,260.1**	9,163.6
Recoverable from reinsurers:		
Claims reported	**(1,376.2)**	(1,465.4)
Claims incurred but not reported (IBNR)	**(844.9)**	(957.3)
Loss adjustment expenses	**(81.4)**	(69.1)
Unearned premiums	**(560.4)**	(556.7)
Total insurance liabilities recoverable from reinsurers	**(2,862.9)**	(3,048.5)
Net:		
Claims reported	**2,670.4**	2,557.9
Claims incurred but not reported (IBNR)	**2,172.7**	2,096.3
Loss adjustment expenses	**164.9**	139.3
Unearned premiums	**1,389.2**	1,321.6
Total insurance liabilities, net	**6,397.2**	6,115.1

Included within Claims incurred but not reported (IBNR) above is £181.7 million (2013: £125.1 million) of unallocated loss adjustment expenses.

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The Company establishes claim reserves, which are estimates of future payments of reported and unreported claims and claim adjustment expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgements. Any changes in estimates or judgements are reflected in the results of operations in the year in which estimates and judgements are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the financial position date. The reserves for claims and claims adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Outstanding claims provisions based on undiscounted estimates of future claims payments total £287.3 million (2013: £67.5 million). Discount rates of 3.5% (Periodical Payment Orders) and 1.5% (Future Policy Benefits) were applied in 2014 resulting in discounted reserves of £110.9 million (2013: £66.5 million).

MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS:

Claims Liabilities	Gross £'m	Reinsurance £'m	Net £'m
Notified claims	2,587.2	(1,263.0)	1,324.2
Incurred but not reported	1,707.5	(701.5)	1,006.0
At 1 December 2012	4,294.7	(1,964.5)	2,330.2
Transfer in on group restructuring	3,352.3	(981.5)	2,370.8
Claims settled in the year	(2,715.2)	930.5	(1,784.7)
Increase/(decrease) in liabilities			
– Arising from current year claims	2,793.7	(919.1)	1,874.6
– Arising from prior year claims	(467.4)	450.6	(16.8)
Foreign exchange movements	27.2	(7.8)	19.4
At 30 November 2013	7,285.3	(2,491.8)	4,793.5
Comprising:			
Reported claims	4,231.7	(1,534.5)	2,697.2
Incurred but not reported	3,053.6	(957.3)	2,096.3
At 1 December 2013	**7,285.3**	**(2,491.8)**	**4,793.5**
Transfer in on group restructuring	**254.4**	**(223.4)**	**31.0**
Claims settled in the year	**(2,600.4)**	**741.1**	**(1,859.3)**
Increase/(decrease) in liabilities			
– Arising from current year claims	**2,435.7**	**(419.8)**	**2,015.9**
– Arising from prior year claims	**32.4**	**81.2**	**113.6**
Foreign exchange movements	**(96.9)**	**10.2**	**(86.7)**
At 30 November 2014	**7,310.5**	**(2,302.5)**	**5,008.0**
Comprising:			
Reported claims	**4,292.9**	**(1,457.6)**	**2,835.3**
Incurred but not reported	**3,017.6**	**(844.9)**	**2,172.7**
At 30 November 2014	**7,310.5**	**(2,302.5)**	**5,008.0**

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Loss Development Tables

The loss development tables presented below show the cumulative provisions for insurance claims, whether reported or not, and related loss adjustment expenses arising for each accident year from 2008 onwards. The historical net insurance claims provision for all outstanding claims arising for accident years prior to 2008 are shown cumulatively as one figure in the right hand column. All amounts shown in the tables have been stated at constant exchange rates based on the rates prevailing at 30 November 2014.

The top half of each table shows the estimated ultimate insurance claims losses and related loss adjustment expenses for each accident year presented as at the end of each reporting year. Movements in these provisions arise as additional information becomes available upon which more accurate estimates of the ultimate insurance claims losses can be made.

The lower half of each table shows the cumulative amounts paid against those claims provisions at the end of each reporting year.

Insurance Claims – Gross

Accident Year	2008 £'m	2009 £'m	2010 £'m	2011 £'m	2012 £'m	2013 £'m	2014 £'m	Total £'m
Estimate of ultimate claims costs:								
At end of accident year	1,511.4	1,620.5	1,354.1	1,696.5	1,949.9	5,920.6	**3,001.6**	
One year later	1,567.4	1,946.2	1,548.9	1,571.2	1,725.6	5,461.1		
Two years later	1,565.7	2,002.2	1,524.3	1,386.9	1,601.6			
Three years later	1,582.7	1,826.2	1,468.0	1,397.0				
Four years later	1,555.7	1,804.3	1,443.5					
Five years later	1,544.8	1,791.1						
Six years later	1,519.2							
Cumulative claims payments:								
At end of accident year	(280.6)	(289.6)	(332.9)	(326.2)	(371.3)	(1,462.7)	**(515.7)**	
One year later	(711.7)	(669.4)	(840.8)	(811.6)	(790.8)	(2,702.0)		
Two years later	(974.9)	(926.4)	(1,074.7)	(989.8)	(1,016.1)			
Three years later	(1,129.0)	(1,164.3)	(1,191.5)	(1,138.0)				
Four years later	(1,280.7)	(1,284.0)	(1,274.8)					
Five years later	(1,356.6)	(1,387.7)						
Six years later	(1,399.4)							
Current estimate of cumulative claims	1,519.2	1,791.1	1,443.5	1,397.0	1,601.6	5,461.1	**3,001.6**	**16,215.1**
Cumulative payments to date	(1,399.4)	(1,387.7)	(1,274.8)	(1,138.0)	(1,016.1)	(2,702.0)	**(515.7)**	**(9,433.7)**
Claims liability outstanding	119.8	403.4	168.7	259.0	585.5	2,759.1	**2,485.9**	**6,781.4**
Claims liability for prior years								**529.1**
Total liability included in Statement of Financial Position								**7,310.5**

Notes to the Financial Statements

For the year ended 30 November 2014

Insurance Claims – Net of Reinsurance

Accident Year	2008 £'m	2009 £'m	2010 £'m	2011 £'m	2012 £'m	2013 £'m	2014 £'m	Total £'m
Estimate of ultimate claims costs:								
At end of accident year	695.3	833.2	837.9	829.1	960.6	4,210.2	**2,096.9**	
One year later	687.3	895.4	864.6	798.4	860.4	3,952.7		
Two years later	710.9	939.8	850.8	717.0	868.2			
Three years later	709.8	925.7	822.5	742.0				
Four years later	702.7	910.4	807.4					
Five years later	705.7	915.2						
Six years later	692.7							
Cumulative claims payments:								
At end of accident year	(117.5)	(162.9)	(208.1)	(157.5)	(207.7)	(1,015.3)	**(406.1)**	
One year later	(283.1)	(361.9)	(416.3)	(336.1)	(437.3)	(1,899.8)		
Two years later	(401.0)	(506.9)	(538.0)	(448.6)	(563.2)			
Three years later	(476.2)	(624.4)	(621.6)	(549.3)				
Four years later	(554.7)	(702.3)	(685.1)					
Five years later	(598.2)	(745.7)						
Six years later	(624.0)							
Current estimate of cumulative claims	692.7	915.2	807.4	742.0	868.2	3,952.7	**2,096.9**	**10,075.1**
Cumulative payments to date	(624.0)	(745.7)	(685.1)	(549.3)	(563.2)	(1,899.8)	**(406.1)**	**(5,473.2)**
Claims liability outstanding	68.7	169.5	122.3	192.7	305.0	2,052.9	**1,690.8**	**4,601.9**
Claims liability for prior years								**406.1**
Total liability included in Statement of Financial Position								**5,008.0**

The large increase in the gross and net ultimate claims cost in 2013 pertains to the merger of the Chartis Europe SA businesses into the Company which occurred at 1st December 2012. During 2014, the merger of the Chartis Excess business into the Company which occurred in 2014 had less of an impact given this business is much smaller. There was a general reduction in gross ultimates during 2014 largely driven by refinements to the gross-to-reinsurance view of the ultimates which largely impacted the gross results. This is shown mostly in 2013 as the prior year reductions for the Continental European business are reflected in this year.

Notes to the Financial Statements

For the year ended 30 November 2014

MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS:

Unearned Premiums	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2012	1,037.9	(382.3)	655.6
Transfer in on group restructuring	780.7	(267.0)	513.7
Premiums written during the year	4,863.8	(1,382.5)	3,481.3
Less: premiums earned during the year	(4,807.7)	1,476.6	(3,331.1)
Foreign exchange movements	3.6	(1.5)	2.1
At 30 November 2013	**1,878.3**	**(556.7)**	**1,321.6**
Transfer in on group restructuring	**20.9**	**(17.1)**	**3.8**
Premiums written during the year	**4,814.7**	**(1,327.7)**	**3,487.0**
Less: premiums earned during the year	**(4,736.5)**	**1,332.8**	**(3,403.7)**
Foreign exchange movements	**(27.8)**	**8.3**	**(19.5)**
At 30 November 2014	**1,949.6**	**(560.4)**	**1,389.2**

31. BORROWINGS

Borrowings consist of subordinated loans and bank overdrafts.

	30 November 2014 £'m	30 November 2013 £'m
Subordinated loans	**50.0**	50.0
Bank overdrafts	**1.3**	1.5
	51.3	51.5

The subordinated loan was entered into on 17 August 2012, with an agreement whereby AIG Europe Holdings Limited (the Lender), a related party of the Company, would provide a loan facility with an initial maximum amount of £50.0 million. The Company is required to repay all amounts advanced under the facility, at par, on 17 August 2019 unless either the Company or the Lender exercises their option to seek early repayment at any time on or after 17 August 2017. Any early repayment by the Company is subject to providing the PRA with six months prior notice and gaining regulatory approval for such repayment. Interest is payable on any amounts drawn down under the facility at the rate of 6 month LIBOR plus 3%.

Notes to the Financial Statements

For the year ended 30 November 2014

32. DERIVATIVE FINANCIAL LIABILITIES

The fair value of the Company's cross currency swaps is detailed below:

	Fair value £'m	Million	Contract/ notional amount £'m
2014			
Derivative financial instruments:			
Fair value liability	**12.4**	**EUR 1,250.0**	**980.1**
Net fair value liability	**12.4**		
2013			
Derivative financial instruments:			
Fair value liability	58.1	EUR 1,250.0	980.1
Net fair value liability	58.1		

The Company hedges the foreign exchange risk arising from the retranslation of its Euro functional currency branches. The Company has designated a EUR:GBP currency swap as a hedge of its net investment in its Euro functional currency branches. The fair value movement of the derivative in the year of £50.8 million (2013: £20.7 million) has been recognised in other comprehensive income.

The movement in the fair value liability of £45.7 million (2013: £24.2 million) between 2013 and 2014 comprises of a £50.8 million fair value gain, (2013: £20.7 million fair value loss), which is shown in note 28, and a £5.2 million (2013: £3.5 million) net interest settlement.

Notes to the Financial Statements

For the year ended 30 November 2014

33. PENSION OBLIGATIONS

The Company operates a number of pension plans for its employees, the most significant of which are defined benefit plans for employees based in the United Kingdom, Germany, the Netherlands and Ireland. The Company also operates various defined benefit pension and post-retirement benefit plans in other countries and defined contribution plans which provide benefits equal to the amounts contributed by both the employer and employee plus investment returns.

For all pension plans disclosed, the scheme assets cannot be allocated on a consistent and reasonable basis to individual participating member companies. However, it has been determined that the Company is most likely to benefit or suffer from any surplus or deficit in each plan as a whole. In accordance with IAS 19 '*Employee Benefits*', the Company has taken the decision that it is reasonable to allocate the entire deficit to the Company.

The net deficit in the pension plans is presented in the Statement of Financial Position as follows:

	30 November 2014 £'m	30 November 2013 £'m
Pension liability	(60.0)	(49.8)
Pension asset (included in receivables - see note 25)	12.2	13.3
Net deficit in the schemes	(47.8)	(36.5)

The net deficit is analysed by plan as follows:

Closing Value	30 November 2014 £'m	30 November 2013 £'m
UK plan	12.0	13.1
Germany plan	(28.7)	(22.4)
Netherlands plan	(11.3)	(8.6)
Ireland plan	(4.5)	(5.6)
All other plans	(15.3)	(13.0)
Net deficit in the Schemes	(47.8)	(36.5)

Notes to the Financial Statements

For the year ended 30 November 2014

United Kingdom

The Company operates two pension plans in association with other group companies operating in the UK, a defined benefit plan (The AIG Pension Plan) and a defined contribution plan (The AIG Retirement Savings Plan). New entrants join The AIG Retirement Savings Plan, as the AIG Pension Plan is closed to new employees and future accrual. The pension plans are administered by an external administrator, with trustees comprising representatives of the employer, staff and pensioner members. The assets are held under a self-administered Trust Fund and are separate from the Company's assets.

The AIG Pension Plan (hereafter referred to as "the UK Plan"), is a group plan for UK based employees. The plan closed to future accrual on 31 October 2012. Since that date the service cost payable by the Company has been limited to the administration expenses for the UK Plan only. For the year-end 30 November 2014, administration expenses are reported as a separate line item in the pension expense. The Company's contributions to the UK Plan for 2014 and 2013 were 0% of employees' pensionable salaries in respect of future service. The Company paid administration expenses and deficit contributions of £5.2 million (2013: £15.3 million). A link to salary has been maintained for active members of the UK Plan at the closure. All active employees accrue benefits on a defined contribution basis in The AIG Retirement Savings Plan.

The UK Plan provides a pension at retirement based on salary and service. It is governed by Trustees and a Trust Deed and Rules. The Pensions Regulator in the UK sets out additional requirements which Trustees and the Company must comply with including funding requirements and reporting. Fluctuations in interest rates, investment returns and inflation as well as member longevity present risks to the Company in the future.

The last formal funding valuation for the UK Plan was carried out as at 6 April 2013 and showed a surplus of assets over liabilities at that time of £0.8 million. Notwithstanding the fact that the Plan had a surplus the Company agreed to continue to make contributions to the Plan to facilitate de-risking at a rate of £401k each month until 31 March 2017. The Company also makes payments to the Plan of £36.5k each month in respect of administration expenses.

The investment strategy is set by the Trustees in consultation with the Company.

Germany

The Company's Germany branch operates five pension plans for its staff. The most significant is the Heilbronn (Wueba) Pension Plan (hereafter referred to as the 'Germany Plan'). The Germany Plan provides benefits in case of normal or early retirement, disability or death after a ten year service waiting period. The Germany Plan is an unfunded plan.

The Germany Plan provides a pension at retirement based on salary and service. The plan is governed by internal rules. As the plan is unfunded, there are no assets set aside to fund benefits as they fall due. Fluctuations in interest rates and inflation as well as member longevity present risks to the Company in the future.

Netherlands

The Company's Netherlands branch operates two pension plans for its staff. The most significant is the AIG Europe DB Netherlands plan (hereafter referred to as the 'Netherlands Plan').

The accrual of benefits is covered by an insurance contract with Zwitserleven. This insurance contract is a bundled contract which includes administration, insurance and management of assets. The annual contributions are based on the tariff rates (annuity rates) as set out in the contract and one year accrual of the individual members. The Pension provision must meet the minimum required provisions as agreed in the Collective Labour Agreement for the Dutch Insurance Industry. If the employer wants to change the scheme provisions it will normally need the consent of the Works Council.

The accrued benefits are insured and Zwitserleven guarantees the pay out of these benefits. The Dutch Central Bank (De Nederlandsche Bank: DNB) sets minimum solvency and liquidity requirements for life insurance companies to fulfil the guarantee. AIG shares in the profit of asset returns that exceed the interest rate used within the tariff rates. Fluctuations in interest rates, investment returns and inflation, as well as member longevity present risks to the Company for future accrual as well as unconditional indexation on accrued benefits. Future salary increases which are attributable to past service years are part of the obligation.

Ireland

The Company's Irish branch operates two pension plans in association with other group companies operating in Ireland, a defined benefit plan, the AIG Ireland Retirement and Death Benefit Plan (hereafter referred to as the 'Ireland Plan'), and a defined contribution plan, the AIG Ireland Retirement Savings Plan. New entrants join the Retirement Savings Plan, as the Ireland Plan is closed to new employees. The pension plans are administered by an external administrator.

The Ireland Plan provides a pension at retirement based on salary and service. It is governed by Trustees and a Trust Deed and Rules. The Pensions Authority in Ireland sets additional requirements which Trustees and the Company must comply with including funding requirements and reporting. Fluctuations in interest rates, investment returns and inflation as well as member longevity present risks to the Company in the future.

Notes to the Financial Statements

For the year ended 30 November 2014

The following disclosures are presented in accordance with IAS 19(R):

Plan Particulars

The following table provides an analysis of the membership profile and benefit obligation of the main plans:

2014	UK Plan Number of Members	Germany Plan Number of Members	Netherlands Plan Number of Members	Ireland Plan Number of Members
Active members	64	257	143	20
Deferred members	423	102	111	41
Pensioners	248	31	20	9
Total members	735	390	274	70

2014	UK Plan £'m	Germany Plan £'m	Netherlands Plan £'m	Ireland Plan £'m
Owed to active members	33.9	19.2	21.3	9.8
Owed to deferred members	64.1	6.1	11.2	11.4
Owed to pensioners	32.2	3.4	9.4	1.5
Defined benefit obligation at 30 November 2014	130.2	28.7	41.9	22.7
Plan assets	(142.2)	-	(30.6)	(18.2)
Net deficit/(asset) valuation	(12.0)	28.7	11.3	4.5
Duration (years)	20	22	24	21

2013	UK Plan Number of Members	Germany Plan Number of Members	Netherlands Plan Number of Members	Ireland Plan Number of Members
Active members	64	320	141	24
Deferred members	423	69	91	42
Pensioners	248	25	17	8
Total members	735	414	249	74

2013	UK Plan £'m	Germany Plan £'m	Netherlands Plan £'m	Ireland Plan £'m
Owed to active members	29.3	17.6	18.1	12.6
Owed to deferred members	55.8	2.1	5.4	8.1
Owed to pensioners	30.9	2.7	7.1	1.6
Defined benefit obligation at 30 November 2013	116.0	22.4	30.6	22.3
Plan assets	(129.1)	-	(22.0)	(16.7)
Net deficit/(asset) valuation	(13.1)	22.4	8.6	5.6
Duration (years)	19	21	22	22

Notes to the Financial Statements

For the year ended 30 November 2014

Assumptions on Plan Liabilities

For each plan shown the liabilities have been determined using the projected unit credit method to discount the best estimate of future cash flows to be paid out of the plan. This takes into consideration the accrued benefits at the date of valuation plan and makes an allowance for projected future earnings (where applicable). The calculation of the plan liabilities is dependent upon a number of actuarial assumptions and changes in these assumptions can materially affect the measurement of the pension obligations.

Valuations and Assumptions

The valuations calculated for the purposes of IAS 19 have been based upon the most recent full actuarial valuation, updated in accordance with the requirements of IAS 19 to determine the liabilities of each plan at 30 November 2014. The assets of each plan are stated at their fair values at 30 November 2014.

The main actuarial assumptions that have a material impact on the valuation of the scheme liabilities under IAS 19 are (per annum):

2014	UK Plan	Germany Plan	Netherlands Plan	Ireland Plan
Pensionable salary increases	**3.25%**	**3.00%**	**2.50%**	**2.75%**
Pension increases	**3.25%**	**1.50%**	**2.0% for Actives/ 1.4% for Deferred and Retirees**	**0.00%**
Inflation rate	**3.25% RPI/ 2.25% CPI**	**2.00%**	**2.00%**	**2.00%**
Discount rate	**3.75%**	**2.50%**	**2.50%**	**2.50%**
Mortality assumption	**S1NA light tables CMI projections converging to long term rate of 1.5% p.a.**	**Heubeck 2005G**	**Prognosetafel AG2014**	**108% PNML00-1 with CSO improvement factors**

2013	UK Plan	Germany Plan	Netherlands Plan	Ireland Plan
Pensionable salary increases	3.50%	3.00%	2.50%	2.75%
Pension increases	3.50%	1.50%	2.0% for Actives/ 1.4% for Deferred and Retirees	2.00%
Inflation rate	3.5% RPI/ 2.75% CPI	2.00%	2.00%	2.00%
Discount rate	4.50%	3.75%	3.75%	3.75%
Mortality assumption	S1NA light tables CMI projections converging to long term rate of 1.5% p.a.	Heubeck 2005G	AG Prognosetafel 2012-2062	108% PNML00-1 with CSO improvement factors

Notes to the Financial Statements

For the year ended 30 November 2014

The following table shows the average life expectancy at 30 November 2014 (and 30 November 2013):

Mortality Table	Life expectancy/pension duration at age 65 of a male member		Life expectancy/pension duration at age 65 of a female member	
	Retiring today	Retiring in 25 years	Retiring today	Retiring in 25 years
Year ended 30 November 2014				
UK Plan	**24.4**	**27.1**	**25.7**	**28.6**
Germany Plan	**18.9**	**22.2**	**22.9**	**26.1**
Netherlands Plan	**21.4**	**24.3**	**24.3**	**26.8**
Ireland Plan	**23.5**	**26.5**	**24.9**	**27.5**
Year ended 30 November 2013				
UK Plan	24.4	27.0	25.6	28.5
Germany Plan	18.7	22.0	22.8	25.9
Netherlands Plan	21.5	23.5	24.3	25.4
Ireland Plan	23.3	26.4	24.8	27.4

Sensitivity to Key Assumptions

The discount rate and mortality are the two assumptions that have the most significant impact on the value of each of the plan's liabilities. In addition, given the size of the UK Plan and Ireland Plan, the sensitivity to the inflation assumption has also been considered. The following table sets out the increase/(decrease) in plan liabilities for movements in these assumptions as at the year end.

£'m	Defined benefit obligation	Discount rate 0.25% increase	Discount rate 0.25% decrease	Inflation 0.25% increase	Inflation 0.25% decrease	Life expectancy age rated down by 1 year
2014						
UK Plan	**130.2**	**123.9**	**136.8**	**135.4**	**125.3**	**133.0**
Germany Plan	**28.7**	**27.2**	**30.3**	**28.7**	**28.7**	**29.7**
Netherlands Plan	**41.9**	**39.5**	**44.5**	**42.0**	**41.7**	**43.0**
Ireland Plan	**22.7**	**21.5**	**23.9**	**23.0**	**22.4**	**23.3**

£'m	Defined benefit obligation	Discount rate 0.25% increase	Discount rate 0.25% decrease	Inflation 0.25% increase	Inflation 0.25% decrease	Life expectancy age rated down by 1 year
2013						
UK Plan	116.0	110.7	121.8	120.5	111.8	118.3
Germany Plan	22.4	21.3	23.6	22.4	22.4	23.1
Netherlands Plan	30.6	29.0	32.3	32.0	29.5	31.4
Ireland Plan	22.3	21.1	23.6	22.6	22.0	23.0

Each sensitivity analysis considers the change in one assumption at a time leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related, except for the inflation assumption which has a knock on impact on pension increases. The method used to carry out the sensitivity analysis is the same as in the prior year.

Notes to the Financial Statements

For the year ended 30 November 2014

Pension Expense

The total pension expense for all schemes was:

Analysis of Amounts Charged to Profit for the Year	2014 £'m	2013 £'m
Current service cost	4.7	5.1
Past service cost	(1.4)	-
(Gains)/Losses on settlement	-	(0.1)
Total pension cost charged to net operating expenses	3.3	5.0
Interest expense on plan liabilities	8.4	8.5
Interest income on plan assets	(7.5)	(7.8)
Total net interest cost	0.9	0.7
Administrative expenses and taxes	0.5	0.6
Amortisation of actuarial gains and losses for other long-term benefits	-	0.2
Total pension charge to income	4.7	6.5

Analysis of Amounts Charged to Other Comprehensive Income	2014 £'m	2013 £'m
Expected return on plan assets	-	(7.8)
Actual return on those assets	13.8	17.9
Actuarial gains on scheme assets	13.8	10.1
Experience gains arising on plan liabilities	1.1	11.1
Effect of changes in demographic assumptions	(0.1)	(1.9)
Effect of changes in financial assumptions	(33.1)	(10.3)
Net actuarial (losses)/gains	(18.3)	9.0

For the year ended 30 November 2015, expected employer contributions into all the defined benefit pension plans are £7.8 million. In addition, the Company expects to contribute £6.5 million into its defined contribution plans.

Notes to the Financial Statements

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Plan Assets

The assets of the plans are held separately from those of the Company, being invested with external investment managers, to meet long-term pension liabilities of past and present members. The investment managers make investment decisions, based on guidelines laid down by the Trustees/Board (as applicable).

The following table provides an analysis of the fair value and composition of the plan assets across all plans.

	Quoted market value £'m	Non-Quoted market value £'m	Total £'m
2014			
Debt securities	**42.0**	**-**	**42.0**
Equity instruments	**114.6**	**-**	**114.6**
Insurance contracts	**-**	**37.9**	**37.9**
Cash and cash equivalents	**4.1**	**-**	**4.1**
Total	**160.7**	**37.9**	**198.6**
2013			
Debt securities	38.4	-	38.4
Equity instruments	105.7	-	105.7
Insurance contracts	-	29.3	29.3
Cash and cash equivalents	1.7	-	1.7
Total	145.8	29.3	175.1

Statement of Financial Position Recognition

The assets and liabilities of the schemes at 30 November were:

Analysis of Amounts Recognised in Statement of Financial Position	All schemes 30 November 2014 £'m	All schemes 30 November 2013 £'m
Fair value of assets	**198.6**	175.1
Present value of scheme liabilities	**(246.4)**	(211.6)
Funded status	**(47.8)**	(36.5)
Effect of asset ceiling	**-**	-
Net asset/(liability) in the schemes	**(47.8)**	(36.5)

Notes to the Financial Statements

For the year ended 30 November 2014

The table below illustrates the value of funded and unfunded pension schemes.

	Funded schemes £'m	Unfunded schemes £'m	Total £'m
2014			
UK plan	(12.0)	-	(12.0)
Germany plan	-	28.7	28.7
Netherlands plan	11.3	-	11.3
Ireland plan	4.5	-	4.5
All other plans	4.6	10.7	15.3
Total	8.4	39.4	47.8
2013			
UK plan	(13.1)	-	(13.1)
Germany plan	-	22.4	22.4
Netherlands plan	8.6	-	8.6
Ireland plan	5.6	-	5.6
All other plans	2.6	10.4	13.0
Total	3.7	32.8	36.5

Notes to the Financial Statements

For the year ended 30 November 2014

Movements in the scheme's net deficit were as follows:

	Scheme assets £'m	Scheme liabilities £'m	Net deficit £'m
Deficit in the scheme at 1 December 2012	119.6	(140.6)	(21.0)
Transfers in on acquisition of branches	27.8	(64.8)	(37.0)
Employer contributions	19.7	-	19.7
Employee contributions	0.2	(0.2)	-
Premiums paid	(0.1)	0.1	-
Benefits paid	(7.0)	7.0	-
Settlement payments	(3.0)	3.0	-
Interest income on plan assets	7.8	-	7.8
Current Service Cost	-	(5.1)	(5.1)
Interest expense on plan liabilities	-	(8.5)	(8.5)
Administrative expenses	(0.6)	-	(0.6)
Past service cost	-	-	-
(Losses)/Gains on settlement payments	-	0.1	0.1
Experience (losses)/gains	10.1	11.1	21.2
Actuarial (losses)/gains on changes to demographic assumptions	-	(1.9)	(1.9)
Actuarial (losses)/gains on changes to financial assumptions	-	(10.3)	(10.3)
Exchange rate movements	0.6	(1.5)	(0.9)
Deficit in the scheme at 1 December 2013	175.1	(211.6)	(36.5)
Employer contributions	8.4	-	8.4
Employee contributions	0.2	(0.2)	-
Benefits paid	(3.8)	4.9	1.1
Interest income on plan assets	7.5	-	7.5
Current Service Cost	-	(4.7)	(4.7)
Interest expense on plan liabilities	-	(8.4)	(8.4)
Administrative expenses	(0.5)	-	(0.5)
Past service cost	-	1.4	1.4
Experience (losses)/gains	13.8	1.1	14.9
Actuarial (losses)/gains on changes to demographic assumptions	-	(0.1)	(0.1)
Actuarial (losses)/gains on changes to financial assumptions	-	(33.1)	(33.1)
Exchange rate movements	(2.1)	4.3	2.2
Deficit in the schemes at 30 November 2014	198.6	(246.4)	(47.8)

Notes to the Financial Statements

For the year ended 30 November 2014

34. CURRENT AND DEFERRED TAX

	30 November 2014 £'m	30 November 2013 £'m
Current tax:		
Current tax assets	63.1	6.7
Current tax liabilities	(65.1)	(201.0)
Net current tax (liabilities)/assets	(2.0)	(194.3)
Deferred tax:		
Deferred tax assets	58.0	58.5
Deferred tax liabilities	(52.5)	(39.8)
Net deferred tax (liabilities)/assets	5.5	18.7

Current tax assets and liabilities are recoverable/payable within one year. Deferred tax assets and liabilities are recoverable/payable after more than one year.

35. OTHER PAYABLES, INCLUDING INSURANCE PAYABLES

	30 November 2014 £'m	30 November 2013 £'m
Insurance payables arising out of direct insurance operations:		
Due to intermediaries	6.5	-
Due to policyholders	4.3	1.1
	10.8	1.1
Insurance payables arising out of reinsurance operations *	434.7	304.8
Other payables including tax and social security	408.4	564.8
Assets held as collateral	12.3	366.3
Reinsurers share of acquisition costs	77.7	77.9
	943.9	1,314.9
Amounts to be settled within one year	931.6	1,302.6
Amounts to be settled more than one year	12.3	12.3
	943.9	1,314.9

* 2013 comparatives have been reclassified to be consistent with current year presentation.

Assets held as collateral comprise cash and debt securities received as collateral against reinsurance assets transferred from unrated related parties. As the Company acquired substantially all the risks and rewards from ownership, debt securities received have been recognised in the Statement of Financial Position as part of the Company's financial investments.

Notes to the Financial Statements

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36. CONTINGENT LIABILITIES

The following charges exist over the assets of the Company:
A charge, in favour of Citibank NA, London Branch (the 'Custodian'), of any cash or securities held by the Custodian as security for:

(a) all obligations of the Company to reimburse the Custodian for any irrevocable commitments to pay for or deliver securities incurred by the Custodian in carrying out instructions under the relevant Custodian Agreement; and
(b) all other present and future obligations to repay the Custodian.

A charge in favour of HSBC Holdings Plc (the security trustee) as trustee for itself and for the HSBC parties, over all reinsurance recoverables receivable by HSBC Insurance (Bermuda) Limited to the Company under reinsurance contracts between HSBC and AIG.

Under the terms of Credit Support annexes (CSA's) to executed International Swaps and Derivative Association Agreements (ISDA's), the Company is obligated to provide collateral in favour of the counterparties to cover margin calls on unfavourable movements in the fair value of outstanding derivatives.
At 30 November 2014, the gross amount of assets pledged under such agreements was £9.3 million (2013: £66.7 million).

37. SHARE-BASED PAYMENTS

The Statement of Profit or Loss and Total Comprehensive Income includes share based payment compensation expense as follows:

	2014 £'m	2013 £'m
Employee plan - "2013 Long-Term Incentive Plan"	**9.1**	5.5
All other plans	**0.9**	1.7
Total: pre-tax	**10.0**	7.2
Total: post-tax	**8.0**	5.8

EMPLOYEE PLANS

The Company has in operation a Long-Term Incentive Plan which was adopted in March 2013 that has granted awards to employees in 2013 and 2014. The 2013 Long-Term Incentive Plan (2013 LTIP), adopted in March 2013, provides for the annual grant of PSUs to certain employees, including our senior executive officers and other highly compensated employees. Each recipient of an award is granted a number of PSUs (the target) that provides the opportunity to earn shares of AIG Common Stock based on AIG achieving specified performance goals at the end of a three-year performance period. These performance goals are pre-established by AIG's Compensation and Management Resource Committee for each annual grant and may differ from year to year. The actual number of PSUs earned can vary from zero to 150 percent of the target depending on AIG's performance relative to a specified peer group. Vesting occurs in three equal instalments beginning on January 1 of the year immediately following the end of a performance period and January 1 of each of the next two years, resulting in a graded vesting schedule of up to five years per award.

Further detail on the other share-based payment plans can be found in the AIG Inc. 10-K filing.

Notes to the Financial Statements

For the year ended 30 November 2014

38. OPERATING LEASE COMMITMENTS

At 30 November 2014, the Company had annual commitments in respect of non-cancellable operating leases.

The Company is committed to payments in 2015 which are expected to be £19.4 million (2013: £14.1 million) after taking into account amortisation of the rent free period which is being amortised on a straight line basis over the duration of the lease.

The total of future minimum lease payments under non-cancellable operating leases on land and buildings are £94.8 million as analysed in the table below:

Future Minimum Lease Payments	Not later than one year £'m	Later than one year and not later than five years £'m	Later than five years £'m	Total £'m
At 30 November 2014	**19.4**	**58.1**	**17.3**	**94.8**
At 30 November 2013	14.1	66.7	26.8	107.6

The Company expects to receive total future sublease payments of £10.3m (2013: £2.8m) in relation to non-cancellable operating leases on properties over the next 13 years.

39. RELATED PARTIES

The Company is a wholly owned subsidiary of AIG Europe Holdings Limited. The ultimate parent company is American International Group Inc. ('AIG Inc.'), a company incorporated in the State of Delaware, United States of America. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, AIG Europe Limited, The AIG Building, 58 Fenchurch Street, London EC3M 4AB.

Insurance and Reinsurance Transactions

In the ordinary course of business the Company both assumes and cedes insurance contracts with related parties. The following summarises the key reinsurance arrangements under which the Company both assumes and cedes business.

- **Intra-Group Multinational Programmes:** these relate to cases where insurance coverage is provided to multinational clients by a number of AIG operations. In cases where the Company has the primary relationship with the client, the Company assumes business written by overseas related parties and ultimately cedes a proportion of the business externally. During the year, the Company assumed a total of £146.3 million (2013: £177.1 million) of insurance premium revenue from fellow subsidiary undertakings.
- **Intra-Group Reinsurance Treaties:** the Company has a number of excess of loss and proportional reinsurance programmes with the American International Overseas Association (an association comprising American Home Assurance Company, New Hampshire Insurance Company and National Union Fire Insurance Company of Pittsburgh, Pennsylvania), all fellow subsidiary undertakings. During the year, the amount ceded by the Company amounted to £121.1 million (2013: £148.0 million).
- **Intra-Group Facultative Reinsurance:** the Company has facultative reinsurance arrangements with a number of related parties. Facultative reinsurance is purchased for individual risks not covered, or insufficiently covered, under other reinsurance arrangements. During the year, the Company ceded £28.4 million (2013: £14.0 million) to fellow subsidiary undertakings.

Insurance claims expense for the year includes £33.1 million (2013: £59.1 million) of claims payable on insurance contracts assumed from related parties. Insurance claims recoverable from reinsurers include £245.0 million (2013: £385.2 million) of recoveries due from related parties. All relevant related parties were fellow subsidiary undertakings of the Company.

Notes to the Financial Statements

For the year ended 30 November 2014

Movements in Insurance Liabilities and Reinsurance Assets with Related Parties

Insurance liabilities and reinsurance assets with related parties were as set out in the table below.

	30 November 2014 £'m	30 November 2013 £'m
Reinsurance assets due from fellow subsidiary undertakings:		
Reinsurers' share of provisions for claims	**967.2**	1,084.1
Reinsurers' share of unearned premiums	**117.5**	90.9
	1,084.7	1,175.0
Insurance liabilities due to fellow subsidiary undertakings:		
Claims incurred	**(99.4)**	(121.6)
Unearned premium provision	**(34.9)**	(48.7)
	(134.3)	(170.3)

An analysis of the movements in insurance liabilities and reinsurance assets with related parties is shown in the tables below.

Claims Liabilities	Insurance claims liability £'m	Reinsurance assets £'m
At 1 December 2012	(135.2)	918.5
Transfer in on group restructuring	(39.9)	428.7
Claims settled in cash in the year	59.1	(388.3)
Increase in liabilities	(21.9)	-
Reinsurance recoveries received on claims	-	81.6
Foreign exchange movements	16.3	43.6
At 30 November 2013	**(121.6)**	**1,084.1**
Transfer in on group restructuring	**-**	**-**
Claims settled in cash in the year	**33.1**	**(245.0)**
Increase in liabilities	**(12.5)**	**-**
Reinsurance recoveries received on claims	**-**	**150.3**
Foreign exchange movements	**1.6**	**(22.2)**
At 30 November 2014	**(99.4)**	**967.2**

Unearned Premiums	Insurance claims liability £'m	Reinsurance assets £'m
At 1 December 2012	(54.1)	108.6
Transfers in on group restructuring	(5.7)	87.7
Premiums (assumed)/ceded during the year	(166.9)	165.3
Less: premiums earned during the year	177.1	(271.7)
Foreign exchange movements	0.9	1.0
At 30 November 2013	**(48.7)**	**90.9**
Transfers in on group restructuring	**-**	**-**
Premiums (assumed)/ceded during the year	**(132.6)**	**187.0**
Less: premiums earned during the year	**146.3**	**(159.9)**
Foreign exchange movements	**0.1**	**(0.5)**
At 30 November 2014	**(34.9)**	**117.5**

Notes to the Financial Statements

For the year ended 30 November 2014

Financial Investments

The Company's financial investment portfolio is managed by a fellow subsidiary undertaking, AIG Asset Management (Europe) Limited. Management fees payable for the year were £8.5 million (2013: £9.0 million) and are charged based on the basis of funds under management and investment activity in the year. Dividend income in the year was £5.0 million received from AIG Services Limited (2013: £17.0 million). A 10 year senior bond was issued to AIG Property Company, Dublin in the year for £9.5 million (2013: £nil).

Dividend Paid

During the year the Company declared and paid dividends of £62.0 million (2013: £385.0 million) to its immediate parent company, AIG Europe Sub Holdings Limited.

Other Income

Net reinsurance commission income, inclusive of reinsurers' share of deferred acquisition costs, shown as part of other income, includes £37.1 million (2013: £32.3 million) of commission receivable and net movement in reinsurers' share of deferred acquisition costs from fellow subsidiary undertakings.

The Company's UK property is occupied by AIG Europe (Services) Limited, a subsidiary undertaking. Rental income from this property of £6.1 million (2013: £1.2 million) is included within other income.

Net Operating Expenses

Net operating costs charged by related parties amounted to £317.9 million (2013: £235.8 million) comprised as set out in the table below.

	Acquisition costs £'m	Change in deferred acquisition costs £'m	Administrative expenses £'m	Total £'m
Year ended 30 November 2014				
Fellow subsidiary undertakings	**8.3**	**(0.7)**	**163.2**	**170.8**
Subsidiary undertakings	**-**	**-**	**147.1**	**147.1**
	8.3	**(0.7)**	**310.3**	**317.9**
Year ended 30 November 2013				
Fellow subsidiary undertakings	8.5	(0.4)	88.8	96.9
Subsidiary undertakings	-	-	138.9	138.9
	8.5	(0.4)	227.7	235.8

Administrative expenses recharged by fellow subsidiary undertakings include US Corporate Management Recharges which the Company incurs. This global recharge is allocated to each operating unit based on its proportionate share of worldwide net premiums written. Total costs recharged to the Company in 2014 were £126.0 million (2013: £47.7 million).

Notes to the Financial Statements

For the year ended 30 November 2014

Other Receivables, Including Reinsurance Receivables from Related Parties

	Receivables arising out of direct insurance operations £'m	Receivables arising out of reinsurance operations £'m	Other receivables £'m	Other receivables, including insurance receivables £'m
At 1 December 2012	80.7	136.6	47.1	264.4
Reclassified on group restructuring	5.1	86.6	6.1	97.8
Transactions in the year	166.9	388.3	7.0	562.2
Settled in the year	(207.1)	(455.6)	(7.5)	(670.2)
Foreign exchange movements	1.0	2.2	(0.2)	3.0
At 30 November 2013	**46.6**	**158.1**	**52.5**	**257.2**
Reclassified on group restructuring	-	-	-	-
Transactions in the year	**132.6**	**245.0**	**(0.4)**	**377.2**
Settled in the year	**(146.0)**	**(228.8)**	**4.7**	**(370.1)**
Foreign exchange movements	**0.5**	**(3.4)**	**(1.0)**	**(3.9)**
At 30 November 2014	**33.7**	**170.9**	**55.8**	**260.4**

All amounts included in the above table were receivable from fellow subsidiary undertakings with the exception of £54.7 million which were due from subsidiary undertakings (30 November 2013: £40.9 million) and £4.3 million from the parent company (30 November 2013: £8.1 million).

Other Payables, Including Insurance Payables to Related Parties

	Payables arising out of reinsurance operations £'m	Other payables £'m	Other payables, including insurance payables £'m
At 1 December 2012	87.4	590.8	678.2
Reclassified on group restructuring	74.0	36.2	110.2
Transactions in the year	224.4	223.5	447.9
Settled in the year	(259.6)	(435.8)	(695.4)
Foreign exchange movements	1.3	0.7	2.0
At 30 November 2013	**127.5**	**415.4**	**542.9**
Reclassified on group restructuring	-	-	-
Transactions in the year	**220.1**	**310.3**	**530.4**
Settled in the year	**(122.4)**	**(668.0)**	**(790.4)**
Foreign exchange movements	**(1.9)**	**(1.4)**	**(3.3)**
At 30 November 2014	**223.3**	**56.3**	**279.6**

All amounts included in the above table were payable to fellow subsidiary undertakings with the exception of £54.9 million which were due to subsidiary undertakings (30 November 2013: £69.2 million) and £2.0 million due to the parent company (30 November 2013: £14.3 million).

Other payables to related parties at 30 November 2014 includes:

- £12.3 million (30 November 2013: £366.3 million) of assets held as collateral from the American International Overseas Association and American International Reinsurance Company as described further in note 35;
- Net derivative liabilities of £12.4 million (30 November 2013: £58.1 million) with AIG Markets, Inc. Collateral pledged amounts to £9.3 million (2013: £66.7 million) in the form of available-for-sale debt securities. As discussed in note 22, as the Company retains substantially all the risks and rewards of ownership of these pledged financial assets, these have not been derecognised in the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 November 2014

Key Management Personnel

Included within net operating expenses were the following costs of key management personnel. These costs are included within administrative expenses.

	2014 £'m	2013 £'m
Wages and salaries	**8.4**	11.5
Social security costs	**2.7**	1.3
Other pension costs	**0.6**	0.3
Share-based payments	**2.4**	2.6
	14.1	15.7

Key management personnel comprise members of the European Executive Committee, Executive Directors and Non-Executive Directors.

40. EVENTS AFTER THE REPORTING YEAR

Dividend

A final dividend was declared by the Directors at their meeting on 27 November 2014 subject to consent from the PRA. Consent to pay a dividend of £1.59 per ordinary share amounting to £314.0 million was subsequently received by the regulator on 18 December 2014. These financial statements do not reflect the dividend payable.

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