

ACE EUROPEAN HOLDINGS No 2 LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2014

COMPANY REGISTRATION NUMBER: 5548342

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ACE EUROPEAN HOLDINGS No 2 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the company is that of an intermediate holding company within the ACE Limited Group.

RESULTS AND DIVIDENDS

The profit for the year to 31 December 2014 on ordinary activities before taxation amounted to £33,959,000 (2013: £50,956,000) and, as disclosed in note 11 to the financial statements (the reconciliation of movement in shareholders' funds), the shareholders' funds of the company total £288,257,000 (2013: £288,257,000). Dividends totaling £33,959,191 were paid during the year (2013: £50,938,786). The directors do not recommend the payment of a further dividend.

FUTURE DEVELOPMENTS

The company continues to act as an intermediate holding company for subsidiary undertakings of the ACE Limited Group and is expected to do so for the foreseeable future.

DIRECTORS

The following have been directors from 1 January 2014 to the date of this report unless otherwise indicated:

A J Kendrick
M K Hammond
K L H Underhill

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) are put in place for the benefit of the directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

The company also has the benefit of a group insurance company management activities policy effected by ACE Limited. No charge was made to the company during the year for this policy.

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

ACE EUROPEAN HOLDINGS No 2 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 – continued

STATEMENT AS TO DISCLOSURE OF INFORMATION

Each of the persons who are a director at the date of this report confirms that:

1. So far as each of them is aware, there is no information relevant to the audit of the company's financial statements for the year ended 31 December 2014 of which the auditors are unaware, and
2. The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By Order of the Board



G P Langley
for and on behalf of
ACE London Services Limited
Secretary, 25 September 2015

ACE Building
100 Leadenhall Street
London
EC3A 3BP

ACE EUROPEAN HOLDINGS No 2 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of ACE European Holdings No 2 Limited has prepared this report in accordance with Section 414A of the Companies Act 2006.

PERFORMANCE OF THE BUSINESS

The profit on ordinary activities before taxation amounted to £33,959,000 (2013: £50,956,000).

The profit for the financial year was primarily due to dividends received from the company's subsidiary, ACE Insurance SA NV.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the company are in relation to movements in the valuation of its investment in subsidiary undertakings.

KEY PERFORMANCE INDICATORS (KPIs)

Given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Approved by the board of directors on 25 September 2015 and signed on its behalf by:



K L H Underhill

Director

Independent auditors' report to the members of ACE European Holdings No 2 Limited

Report on the financial statements

Our opinion

In our opinion, ACE European Holdings No 2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, which are prepared by ACE European Holdings No 2, comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 1, 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.

**Independent auditors' report to the members of ACE European Holdings No 2 Limited
(continued)**

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 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.

James Pearson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 September 2015

ACE EUROPEAN HOLDINGS No 2 LIMITED

**PROFIT AND LOSS ACCOUNT
FOR YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £'000	2013 £'000
TURNOVER	2	33,959	50,939
Operating expenses	4	-	-
OPERATING PROFIT		33,959	50,939
Profit on disposal of investments		-	-
Other income	5	-	17
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,959	50,956
Tax on profit on ordinary activities	6	-	-
PROFIT FOR THE FINANCIAL YEAR		33,959	50,956

All of the above results derive from continuing operations.

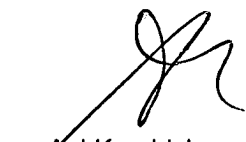
The company has no recognised gains or losses other than those presented and hence no separate Statement of Total Recognised Gains and Losses is presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

ACE EUROPEAN HOLDINGS No 2 LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Shares in group undertakings	7	<u>287,975</u>	<u>287,975</u>
CURRENT ASSETS			
Debtors	8	<u>282</u>	<u>282</u>
CURRENT LIABILITIES			
Creditors - amounts falling due within one year		<u>-</u>	<u>-</u>
NET CURRENT ASSETS		<u>282</u>	<u>282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>288,257</u>	<u>288,257</u>
CAPITAL AND RESERVES			
Called up share capital	9	152,983	152,983
Profit and loss account	10	<u>135,274</u>	<u>135,274</u>
TOTAL SHAREHOLDERS' FUNDS	11	<u>288,257</u>	<u>288,257</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 25 September 2015 and were signed on its behalf by:



A J Kendrick

Director

COMPANY REGISTRATION NUMBER: 5548342

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The company is a wholly owned subsidiary within the ACE Limited group and is included in the consolidated financial statements of ACE Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised) "Cash Flow Statements".

The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it and its subsidiary undertakings are wholly-owned subsidiaries within the ACE Limited group and are included within the consolidated financial statements of ACE Limited.

The principal accounting policies, which have been applied consistently throughout the year, are set out below:

Dividends

Dividends receivable are recognised when declared.

Interest receivable

Interest receivable is accounted for on an accruals basis.

Interest payable

Interest payable is accounted for on an accruals basis.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Exchange differences arising from the retranslation of monetary assets and liabilities denominated in foreign currencies are included in the profit and loss account.

Investments

Investments in group undertakings and participating interests are stated at the lower of cost and net realisable value.

2. TURNOVER

Turnover consists of dividends received from subsidiary companies.

3. DIRECTORS AND EMPLOYEES

The company has no employees. The directors received no emoluments for their services to the company.

4. OPERATING EXPENSES

The following fees are payable to the company's auditors and are borne by ACE INA Services U.K. Limited, a fellow group company:

	2014 £'000	2013 £'000
Audit fees:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	4	4
Fees payable to the Company's auditors for other services:		
Audit related assurance services	738	689
Tax compliance services	345	410
Tax advisory services	105	110
Other non-audit services	90	452
	<u>1,282</u>	<u>1,665</u>

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 - CONTINUED

5. OTHER INCOME

	2014 £'000	2013 £'000
Foreign exchange gain	-	17
	-	17

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2014 £'000	2013 £'000
Current tax:		
UK Corporation tax on profit of the year	-	-
Amounts receivable from other ACE group companies in respect of group relief	-	-
Total current tax (note 6(b))	-	-

(b) Factors affecting tax charge for year

The tax assessed for the year differs from (2013: differs from) the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	33,959	50,956
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 21.5% (2013: 23.25%)	7,301	11,847
Effects of:		
Dividends not chargeable to corporation tax	(7,301)	(11,847)
Current tax charge for year (note 6(a))	-	-

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 – CONTINUED

7. SHARES IN GROUP UNDERTAKINGS

	% holding	Country of incorporation	2014 £'000	2013 £'000
Unlisted undertakings				
Investment in ACE Insurance S.A.-N.V.	99.95%	Belgium	287,975	287,975
			<u>287,975</u>	<u>287,975</u>

In the opinion of the directors, the investment in subsidiary undertakings is not worth less than its carrying value. Additional information relating to the company's investments in unlisted undertakings is set out in Note 12.

8. DEBTORS - amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed by group undertakings	282	282
	<u>282</u>	<u>282</u>

9. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Allotted, issued and fully paid 152,983,215 (2013:152,983,214) Ordinary £1 shares	152,983	152,983
	<u>152,983</u>	<u>152,983</u>

10. RESERVES

	Profit and loss account £'000
At 1 January 2014	135,274
Profit for the financial year	33,959
Dividends paid	(33,959)
	<u>135,274</u>
At 31 December 2014	<u>135,274</u>

ACE EUROPEAN HOLDINGS No 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 - CONTINUED****11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2014 £'000	2013 £'000
Profit for the financial year	33,959	50,956
Dividends paid	(33,959)	(50,939)
Net addition to shareholders' funds	-	17
Opening shareholders' funds	288,257	288,240
Closing shareholders' funds	288,257	288,257

12. ADDITIONAL INFORMATION IN RELATION TO NOTE 7 TO THE FINANCIAL STATEMENTS

Subsidiary undertakings as at 31 December 2014 were as follows:

Subsidiaries		Country of Incorporation	Percentage of nominal value held by the company
ACE Insurance S.A.-N.V	Intermediate holding company	Belgium	99.95% Direct
ACE European Group Limited	Insurance company	England and Wales	69.13% Indirect

The ACE Limited group is the beneficial owner of all of the share capital and voting rights of all of the above undertakings.

13. TRANSACTIONS WITH RELATED PARTIES

Advantage has been taken of the exemption provided in FRS 8 "Related Party Disclosures" from disclosing details of transactions with ACE Limited and its subsidiary undertakings.

14. ULTIMATE HOLDING COMPANY

The immediate holding company is ACE European Holdings Limited. The ultimate holding company is ACE Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated financial statements can be obtained from Investor Relations at ACE's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.