

Chubb Group Limited

**Annual Report
for the year ended 31 December 2015**

Registered number: 00585729

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Chubb Group Limited

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Chubb Group Limited

Strategic report

The directors present their Strategic Report for the company for the year ended 31 December 2015.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of business and future activities

The directors are satisfied with the results for the year. The directors expect the company to continue as a holding company for the foreseeable future.

Key performance indicators

Given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not appropriate in helping understand the development, performance or position of the business.

Financial risk management

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's operations expose it to financial risks as set out below.

Liquidity risk

The company actively maintains intercompany finance that is designed to ensure the company has sufficient available funds for operations.

Interest rate cash flow risk

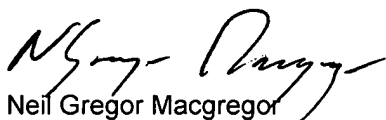
The company has interest-bearing liabilities and interest-bearing assets that include intercompany balances. Rates of interest vary according to market conditions prevailing at the time.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 19 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:



Neil Gregor Macgregor
Director

29 June 2016
Mathisen Way
Colnbrook, Slough
Berkshire
SL3 0HB

Chubb Group Limited

Directors' Report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2015.

Principal activities

The Company acts as an intermediate parent company with subsidiaries operating worldwide in the field of security services provision. The Company provides management services to its subsidiary companies. The company's principal risks and uncertainties predominantly relate to the investments held by the company, which management review on a regular basis.

Results and dividends

The profit for the financial year is set out in the profit and loss statement on page 7.

Interim dividend of £133,000,000 to Chubb Limited was paid in the year ended 31 December 2015 (2014: £nil).

No final dividend payment is proposed (2014: £nil).

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

Robert Sloss
Chubb Management Services Limited
Robert William Sadler (resigned 8 June 2016)
Neil Gregor Macgregor

Directors' indemnity

The directors have the benefit of an indemnity (provided on a group wide basis via United Technologies Corporation) which is a qualifying third party indemnity provision. The indemnity was in force throughout the last financial year and also at the date of approval of the financial statements.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

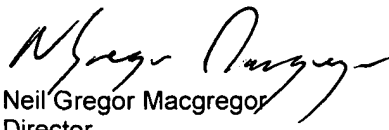
Chubb Group Limited

Directors' Report

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Neil Gregor Macgregor
Director
29 June 2016
Mathisen Way
Colnbrook, Slough
Berkshire
SL3 0HB

Chubb Group Limited

Statement of directors' responsibilities

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

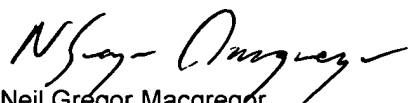
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:



Neil Gregor Macgregor
Director

29 June 2016
Mathisen Way
Colnbrook, Slough
SL3 0HB

Chubb Group Limited

Independent auditors' report to the members of Chubb Group Limited

Report on the financial statements

Our opinion

In our opinion, Chubb Group 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 2015 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, included within the Annual Report, comprise:

- the Balance sheet as at 31 December 2015;
- the Profit and Loss Account and Statement of other comprehensive income for the year then ended;
- the Statement of changes in equity 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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.

Chubb Group Limited

Independent auditors' report to the members of Chubb Group Limited

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 Directors' responsibility statement set out on page 4, 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 parent 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 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.



Phil Harrold (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
29 June 2016

Chubb Group Limited

Profit and Loss Account For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Administrative income/(expenses)		12,194	(944)
Other income		-	572
Net (loss)/profit on disposal of investments		(11,087)	133,194
Provision for impairment of investments		(5,934)	(996)
Operating (loss)/profit		(4,827)	131,826
(Loss)/profit on ordinary activities before finance charges		(4,827)	131,826
Income from shares in group undertakings		9,411	17,195
Finance income	3	89,130	67,187
Finance costs	4	(55,491)	(53,470)
Profit on ordinary activities before taxation	5	38,223	162,738
Tax on profit on ordinary activities	9	(11,408)	(5,330)
Profit for the financial year		26,815	157,408

All results are derived from continuing operations.

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.

Chubb Group Limited

Statement of other comprehensive income For the year ended 31 December 2015

	2015 £'000	2014 £'000
Profit for the financial year	26,815	157,408
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on pension scheme	(9,300)	5,200
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension asset	4,396	(1,040)
Total comprehensive income for the year	21,911	161,568

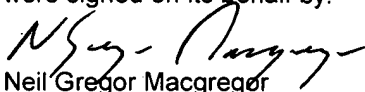
Chubb Group Limited
Registered number: 00585729

Balance sheet
As at 31 December 2015

	<i>Note</i>	2015 £'000	2014 £'000	2013 £'000
Fixed assets				
Investments in subsidiaries	11	250,362	259,337	673,227
Deferred tax		59,949	69,625	72,560
		310,311	328,962	745,787
Current assets				
Trade and other receivables:				
- due within one year	12	10,299,590	10,350,467	9,748,933
Creditors: Amounts falling due within one year	13	(7,910,901)	(7,864,808)	(7,827,675)
Net current assets		2,388,689	2,485,659	1,921,258
Total assets less current liabilities		2,699,000	2,814,621	2,667,045
Deferred tax liability	14	(26,856)	(29,520)	(26,180)
Provisions for liabilities	15	(370)	(638)	(1,270)
Net assets excluding pension asset		2,671,774	2,784,463	2,639,595
Pension asset	17	149,200	147,600	130,900
Net assets		2,820,974	2,932,063	2,770,495
Equity				
Called up share capital	16	116,049	116,049	116,049
Share premium account		999,997	999,997	999,997
Merger reserve		767,603	767,603	767,603
Capital contribution		325,096	325,096	325,096
Other reserves		246,163	246,163	246,163
Retained earnings		366,066	477,155	315,587
Total shareholders' funds		2,820,974	2,932,063	2,770,495

The notes on pages 11 to 36 form part of these financial statements

The financial statements on pages 7 to 36 were approved by the board of directors on 29 June 2016 and were signed on its behalf by:


Neil Gregor Macgregor
Director

Chubb Group Limited

Statement of changes in equity For the year ended 31 December 2015

	Called up share capital (Note 16) £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total share- holders' funds £'000
Balance at 1 January 2014	116,049	999,997	1,338,862	210,867	2,665,775
Effect of restatement due to change in accounting framework (see note 20)	-	-	-	104,720	104,720
As restated	116,049	999,997	1,338,862	315,587	2,770,495
Profit for the financial year	-	-	-	157,408	157,408
Other comprehensive income/(expense) for the year					
- Actuarial gain on pension scheme	-	-	-	5,200	5,200
- Deferred tax movement on actuarial gain				(1,040)	(1,040)
Total comprehensive income for the year	-	-	-	161,568	161,568
Balance at 31 December 2014	116,049	999,997	1,338,862	477,155	2,932,063
Profit for the financial year	-	-	-	26,815	26,815
Other comprehensive (expenses)/income for the year					
- Actuarial loss on pension scheme	-	-	-	(9,300)	(9,300)
- Deferred tax movement on actuarial loss				4,396	4,396
Total comprehensive income for the year	-	-	-	21,911	21,911
Dividends	-	-	-	(133,000)	(133,000)
Balance at 31 December 2015	116,049	999,997	1,338,862	366,066	2,820,974

Chubb Group Limited

Notes to the financial statements For the year ended 31 December 2015

1. Accounting policies

Chubb Group Limited ('the company') is a holding company for loans with and investments in entities within the United Technologies Corporation group.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Mathisen Way, Colnbrook, Slough, Berkshire, SL3 0HB.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 20.

The financial statements have been prepared on a going concern basis, and also on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Chubb Group Limited

Notes to the financial statements For the year ended 31 December 2015

The financial statements contain information about Chubb Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated financial statements of its parent, United Technologies Corporation, a company incorporated in the United States of America, and whose consolidated financial statements are drawn up in accordance with the 7th directive.

As permitted by FRS 101, the company has taken advantage some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

IFRS 3 - not to restate business combinations before the date of transition

IFRS 7 – financial instrument disclosures

IFRS 13 - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities

IAS 1 – Information on management of capital

IAS 7 – statement of cash flows

IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group;

IAS 1 - the requirement to present roll forward reconciliations in respect of share capital and

IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment

Where required, equivalent disclosures are given in the group financial statements of United Technologies Corporation. The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 18.

Adoption of new and revised Standards

As explained above, the company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

<p>Amendments to IAS 1 <i>Presentation of Financial Statements</i></p> <p>(as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2013)</p>	<p>The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.</p>
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Chubb Group Limited

Notes to the financial statements For the year ended 31 December 2015

IFRS 13 <i>Fair Value Measurement</i>	<p>The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).</p> <p>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. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements, however the Company has taken advantage of the exemption provided under FRS 101 from providing these disclosures.</p> <p>IFRS 13 requires prospective application from 1 January 2014. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.</p>
IFRS 19 (Revised) <i>Employee Benefits</i>	<p>Employee benefits' was revised in June 2011. The changes in the company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 17 for the impact on the financial statements.</p>

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Chubb Group Limited

Notes to the financial statements For the year ended 31 December 2015

Investments

Except as stated below, fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Impairment reviews are carried out by the directors on an annual basis, or when there is indication that impairment may have occurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Chubb Group Limited

Notes to the financial statements For the year ended 31 December 2015

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The company presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 7) in its consolidated profit and loss account. Curtailments gains and losses are accounted for as past-service cost.

Net interest expense or income is recognised within finance costs (see note 3).

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance

Chubb Group Limited

Notes to the financial statements

For the year ended 31 December 2015

sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments).

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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Notes to the financial statements For the year ended 31 December 2015

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or

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Notes to the financial statements For the year ended 31 December 2015

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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Notes to the financial statements For the year ended 31 December 2015

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are discounted where the impact of discounting is material.

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Notes to the financial statements For the year ended 31 December 2015

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors do not believe there are any critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £250,362,000 with an impairment loss of £5,934,000 recognised in 2015 (2014: £996,000).

Defined Benefit Pension Scheme

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Managements estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the defined benefit scheme.

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Notes to the financial statements For the year ended 31 December 2015

3. Finance income

	2015 £'000	2014 £'000
Interest receivable:		
Other loans and receivables	83,530	61,187
Net finance income on post-retirement benefits	5,600	6,000
	89,130	67,187

4. Finance costs

	2015 £'000	2014 £'000
Interest payable to group companies	(55,339)	(52,653)
Exchange loss on foreign currency borrowings	(152)	(817)
	(55,491)	(53,470)

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2015 £'000	2014 £'000
Net foreign exchange losses/(gains)	152	817

6. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's financial statements were £47,000 in 2015 (2014: £71,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

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Notes to the financial statements For the year ended 31 December 2015

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2015 Number	2014 Number
Administration	4	4

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	247	212
Social security costs	30	26
Share based payments	-	-
Other pension costs (see note 17)	835	531
	1,112	769

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

8. Directors' remuneration and transactions

	2015 £'000	2014 £'000
Directors' remuneration		
Emoluments	119	26
Company contributions to defined benefit pension schemes	15	3
	134	29

	2015 Number	2014 Number
The number of directors who:		
Are members of a defined benefit pension scheme	1	1

	2015 £'000	2014 £'000
Remuneration of the highest paid director:		
Emoluments	119	26
Company contributions to defined benefit pension schemes	15	3
	134	29

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £40,094 under the scheme at the end of the year. There is no accrued lump sum.

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Notes to the financial statements For the year ended 31 December 2015

9. Tax on profit on ordinary activities

Tax expense included in profit or loss:

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on profits for the year	-	95
Adjustments in respect of prior years		
UK corporation tax	-	-
Foreign tax		95
Total current tax	-	95
Deferred tax		
Origination and reversal of timing differences	5,294	5,245
Impact of rate change	6,149	-
Change in recognition of deferred tax charge	(35)	(10)
Total deferred tax (see note 14)	11,408	5,235
Total tax on profit on ordinary activities	11,408	5,330

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	38,223	162,738
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25% (2014: 21.5%)	7,740	34,989
Effects of:		
Expenses not deductible for tax purposes	3,445	214
Non-taxable income	(4,686)	(32,457)
Transfer pricing adjustment	2,813	2,892
Tax rate changes	2,131	(393)
Effect of overseas tax rates	-	95
Adjustments to tax charge in respect of prior years	(35)	(10)
Total tax charge for period	11,408	5,330

The reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October. The current tax rate used in the year ended 31 December 2015 is therefore 20.25% and the rate used for closing deferred tax balances is 18.00%

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Notes to the financial statements For the year ended 31 December 2015

Tax income included in other comprehensive income

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised in other comprehensive income:

	2015 £'000	2014 £'000
Current tax		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Origination and reversal of timing differences		
Impact of rate change		
Revaluations of financial instruments treated as cash flow		
Pension movements	(4,396)	1,040
Total income tax recognised in other comprehensive income	(4,396)	1,040

10. Dividends on equity shares

Amounts recognised as distributions to equity holders in the year:

	2015 £'000	2014 £'000
Interim dividend for the year ended 31 December 2015 of 16p (2014: 0p) per ordinary share	133,000	-
	133,000	-

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Notes to the financial statements For the year ended 31 December 2015

11. Investments

	£'000
Cost	
At 1 January 2014	6,543,342
Additions	367,730
Disposals	(2,840,472)
At 31 December 2014	4,070,600
Additions	8,196
Disposals	(11,237)
At 31 December 2015	4,067,559
Provisions for impairment	
At 1 January 2014	5,870,115
Written off	996
Written back	-
Disposals	(2,059,848)
At 31 December 2014	3,811,263
Written off	5,934
Written back	-
Disposals	-
At 31 December 2015	3,817,197
Net book value at 31 December 2015	250,362

All subsidiaries below have been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

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Notes to the financial statements For the year ended 31 December 2015

Details of the Company's directly owned subsidiaries at 31 December 2015 are as follows:-

Name	Place of incorporation and operation	Class of Share	Proportion of ownership interest %
Chubb Deutschland GmbH	Germany	Capital Stock	100.0%
Chubb Group (International) Limited	UK	Ordinary	100.0%
Chubb Group Properties Limited	UK	Ordinary	100.0%
Chubb Holdings (Thailand) Limited	Thailand	Class A	49.9%
Onity Co., Limited	Thailand	Ordinary	99.88%
Chubb Iberia	Spain	Quota shares	57.5%
Chubb Ireland Limited	Ireland	Ordinary	100.0%
Chubb Management Services Limited	UK	Ordinary	100.0%
Chubb Security Systems B.V.B.A.	Belgium	Capital Stock	100.0%
Chubb Singapore Private Limited	Singapore	Capital Stock	70.0%
Connaught Alarms Limited	Ireland	Ordinary	100.0%
Inversiones Mejicanas El Salto, S.L.	Spain	Quota shares	100.0%
Onity LTDA	Brazil	Capital Stock	99.94%
Onity SA	Argentina	Capital Stock	95.0%
Pilgrim House Group Limited	UK	Ordinary	100.0%
Security Monitoring Centre B.V.B.A./S.P.R.L	Belgium	Capital Stock	99.9%
UTC Fire & Security (Malaysia) Sdn Bhd	Malaysia	Ordinary	100.0%

The company owns the following indirectly through intermediate holding companies:

Name	Place of incorporation (and operation	Class of share	Proportion of ownership interest %
Onity Comercial, S.A. de C.V.	Mexico	Capital Stock	99.8%
Onity India Private Limited	India	Equity	99.99%
Eivar Obras e Ingeniera S.A.U	Spain	Ordinary	57.5%
Extintores Eivar S.A.U	Spain	Ordinary	57.5%
Magnum Europe Limited	Ireland	Ordinary	100.0%
Guardfire (Malaysia) Sdn Bhd	Malaysia	Ordinary	70.0%
Onity Industrial, S.A. de C.V	Mexico	Series A & B	99.9%
Access Control Solutions, S.A. de C.V	Mexico	Class A	74.9%
UTC Fire & Security Mexico Corporation, S. de R.L de C.V	Mexico	Class A	99.9%

The investments in subsidiaries are all stated at cost less provision for impairment.

The provision for impairment of £5,934,000 has been recognized to reflect the post year end liquidation of Chubb Fire & Security (SA) Limited.

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Notes to the financial statements For the year ended 31 December 2015

12. Trade and other receivables

Amounts falling due within one year:

	2015 £'000	2014 £'000	2013 £'000
Amounts owed by group undertakings	10,296,158	10,347,449	9,745,458
Other debtors	3,432	3,018	3,475
	10,299,590	10,350,467	9,748,933

Included in amounts owed by group undertakings is £8,606,483,000 (2014: £8,612,398,000) which is unsecured, incurs interest at between 0.75% and 4.16% (2014: 0.75% and 4.16%) and is repayable on demand. Remaining amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13. Creditors – amounts falling due within one year

	2015 £'000	2014 £'000	2013 £'000
Bank loans and overdrafts	-	11	-
Amounts owed to group undertakings	7,908,406	7,861,959	7,824,774
Other creditors	2,495	619	517
Taxation and social security	-	2,219	2,384
	7,910,901	7,864,808	7,827,675

Amounts owed to group undertakings include loan notes of £7,270,374,000 (2014: £7,204,400,000) which are unsecured, incurs interest at between at 0.75 and 1.0% (2014: between 0.5% and 0.75%) and are repayable on demand. Remaining amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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Notes to the financial statements For the year ended 31 December 2015

14. Deferred tax

The analysis of deferred tax assets/liabilities is as follows:

	2015 £'000	2014 £'000	2013 £'000
Deferred tax assets due within 12 months	-	-	-
Deferred tax liabilities due within 12 months	-	-	-
Total provision due within 12 months	-	-	-
Deferred tax assets due after more than 12 months	59,949	69,625	72,560
Deferred tax liabilities due after more than 12 months	(26,856)	(29,520)	(26,180)
Total provision due after more than 12 months	33,093	40,105	46,380
Net deferred tax asset/(liability)	33,093	40,105	46,380

The movement in deferred tax is as follows:

Deferred tax assets:

	Decelerated capital allowances £'000	Other timing differences £'000	Tax losses £'000	Total £'000
At 1 January 2014	100	626	71,834	72,560
(Credited)/charged to profit and loss	(18)	(626)	(2,291)	(2,935)
At 1 January 2015	82	-	69,543	69,625
Charge/(credit) to profit and loss	(15)	-	(3,038)	(3,053)
Effect of change in tax rate:				
-profit or loss	(6)	-	(6,617)	(6,623)
At 31 December 2015	61	-	59,888	59,949

A deferred tax asset of £825,000 (2014: £917,000) has not been recognised in respect of capital losses as the company is not expected to make suitable taxable gains in the foreseeable future against which they could be utilised.

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Deferred tax liabilities:

	Retirement benefit obligations £'000	Total £'000
At 1 January 2014	26,180	26,180
Charged/(credited) to profit and loss	2,300	2,300
Charged/(credited) to other comprehensive income	1,040	1,040
At 1 January 2015	29,520	29,520
Charged/(credited) to profit and loss	1,732	1,732
Charged/(credited) to other comprehensive income	(1,883)	(1,883)
Effect of change in tax rate		
-equity	(2,513)	(2,513)
At 31 December 2015	26,856	26,856

15. Provisions for liabilities

	Onerous Lease Provision £'000
At 1 January 2014	1,270
Release unused provision	(252)
Utilisation of provision	(380)
At 31 December 2014	638
Utilisation of provision	(268)
At 31 December 2015	370

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Notes to the financial statements For the year ended 31 December 2015

16. Called up share capital

Ordinary shares

	2015 £'000	2014 £'000	2013 £'000
Allotted, called-up and fully-paid			
828,923,079 (2014: 828,923,079) ordinary shares of 14p each	116,049	116,049	116,049

17. Retirement benefit schemes

Defined benefit schemes

The company has a defined benefit scheme the Chubb Pension Plan for qualifying employees. The defined benefit scheme is administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Under the Fund, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final pensionable earnings for each complete month and year of pensionable service on attainment of a retirement age of between 60 and 65. The pensionable salary is based on the annual rate of earnings plus an average of fluctuating emoluments. In addition, the service period is limited to 40 years resulting in a maximum yearly entitlement (life-long annuity) of 2/3 of final salary

The scheme typically exposes the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

Asset volatility	The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, this could lead to deterioration in the Scheme's funding level, all other things being equal. Currently the scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and in real estate to leverage the expected return generated by the fund.
Change in bond yields	A decrease in the bond interest rate will increase the scheme liability but this could be expected to be partially offset by an increase in the return on the scheme's debt investments.
Life expectancy	The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.

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Salary risk	The present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's liability.
Inflation risk	The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). Elements of the scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation could also lead to a deterioration in the funding position.

No other post-retirement benefits are provided to these employees.

A full accounting valuation for US GAAP purposes of the Chubb Pension Plan as at 31 December 2014 was carried out by Willis Towers Watson using the projected unit method. This valuation was updated as at 31 December 2015 by Willis Towers Watson. A separate valuation is performed for cash funding.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015 %	2014 %	2013 %
Key assumptions used:			
Discount rate(s)	3.65	3.70	4.50
Expected rate(s) of salary increase	3.00	2.25	2.25
Rate of inflation	3.00	3.00	3.25
Expected rate of increase of pensions in payment	2.15 – 4.25	2.15 – 4.25	2.25 – 4.30
Average longevity at age 65 for current pensioners (years)*			
Male	21.0	21.3	21.3
Female	23.5	24.2	24.1
Average longevity at age 65 for current employees (future pensioners) (years)*			
Male	22.6	23.0	22.9
Female	25.4	26.2	26.0

* Based on standard mortality table with modifications to reflect expected changes in mortality.

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Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2015 £'000	2014 £'000
Service cost:		
Current service income	(665)	(770)
Admin costs incurred during the year	1,500	1,300
Interest expenses	(5,600)	(6,000)
	(4,765)	(5,470)

Of the expense for the year, £835,000 (2014: £570,000) has been included in the profit and loss account and has been included in administrative expenses. The net interest expense has been included within finance income (see note 3). The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2015 £'000	2014 £'000
Present value of defined benefit obligations	(550,400)	(566,500)
Fair value of scheme assets	699,600	714,100
Net liability arising from defined benefit obligation	149,200	147,600

Movements in the present value of defined benefit obligations in the year were as follows:

	2015 £'000	2014 £'000	2013 £'000
Opening defined benefit obligation	566,500	529,200	526,400
Current service cost	1,300	1,300	1,100
Interest cost	20,400	23,200	23,100
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in demographic assumptions	(13,200)	-	-
Actuarial gains and losses arising from changes in financial assumptions	5,500	43,400	8,200
Actuarial gains and losses arising from experience adjustments	1,200	100	-
Plan participants' contributions	100	100	400
Benefits paid	(31,400)	(30,800)	(30,000)
Closing defined benefit obligation	550,400	566,500	529,200

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Movements in the fair value of scheme assets in the year were as follows:

	2015 £'000	2014 £'000	2013 £'000
Opening fair value of scheme assets	714,100	660,100	649,000
Interest income	26,000	29,200	28,500
Remeasurement (gains)/losses:			
The return on scheme assets	(15,800)	48,700	12,800
Contributions from the employer	8,100	8,100	300
Contributions from scheme participants	100	100	400
Benefits paid	(31,400)	(30,800)	(30,000)
Administrative costs paid	(1,500)	(1,300)	(900)
Closing fair value of scheme assets	699,600	714,100	660,100

The major categories and fair values of scheme assets at the end of the reporting period for each category are as follows:

	2015 £'000	2014 £'000	2013 £'000
Cash and cash equivalents	93,047	-	-
Equity instruments	214,777	281,355	269,981
Debt instruments	282,638	336,341	297,705
Property	14,692	28,564	42,906
Other	94,446	67,840	49,508
Total	699,600	714,100	660,100

The actual return on scheme assets was £15,800,000 (2014: reduction of £48,700,000)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	Decrease 4.5%	Increase 4.5%
Inflation rate	0.1%	Increase 1.2%	Decrease 1.2%
Pension growth rate	1%	Increase 1%	Decrease 1%
Life expectancy	1 year	Increase by 6%	Decrease by 6%

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The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Company expects to make a contribution of £8,100,000 (2014: £8,100,000) to the defined benefit scheme during the next financial year.

18. Controlling party

The company's immediate parent undertaking is Chubb Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking and controlling party is United Technologies Corporation, a company incorporated in the United States of America.

United Technologies Corporation is the smallest and largest group to consolidate these financial statements.

Copies of the United Technologies Corporation group financial statements are publicly available and can be obtained from www.utc.com

19. Subsequent events

There have been no significant changes since the balance sheet date.

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20. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

Reconciliation of equity

	At 1 January 2014 £'000	At 31 December 2014 £'000
Equity reported under previous UK GAAP	2,665,775	2,813,983
Adjustments to equity on transition to FRS 101		
1. Recognition of pension asset	104,720	118,080
Equity reported under FRS 101	2,770,495	2,932,063

Notes to the reconciliation of equity at 1 January 2014

1. The pension asset and associated deferred tax liability relating to the Chubb Pension Plan were recognized for the first time at 1 January 2014.

Reconciliation of profit or loss for the year ended 31 December 2014

	£'000
Total profit for the financial year under previous UK GAAP	148,208
Adjustments to profit and loss account	
1. Recognition of pension asset	9,200
Total profit for the financial year under FRS101	157,408

Notes to the reconciliation of profit for the year ending 31 December 2014

1. Adjustment to reflect actuarial valuation of the Chubb Pension Plan. As a result of the change to record the pension scheme as a defined benefit scheme, the prior year pension cost disclosed in note 7 has reduced from £6,036,000 to £531,000.