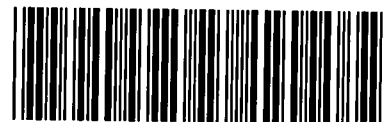


**Chubb Group Limited**  
**Annual Report**  
**for the year ended 31 December 2016**

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 2016.

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 (KPIs)

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.

#### Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

#### 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.

#### Foreign exchange risks

The majority of the company's transactions are denominated in sterling and the directors do not believe that there is a significant foreign exchange risk.

### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 18 to the financial statements.

### Approval

Approved by the Board and signed on its behalf by:



Neil Gregor Macgregor  
Director  
30 June 2017

Mathisen Way  
Colnbrook  
Slough  
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 2016.

### **Principal activities**

The company is an intermediate parent company. The subsidiary companies' operate worldwide in the field of security services provision. The company provides management services to its subsidiary companies.

### **Results and dividends**

The profit for the financial year is set out in the income statement on page 6.

The directors do not recommend the payment of any dividends for the year ended 31 December 2016 (2015: £133,000,000).

### **Going concern**

The directors have a reasonable expectation that the Company 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 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:

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

### **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.

### **Future developments**

These are included in the strategic report.

### **Financial risk management**

These are included in the strategic report.

# Chubb Group Limited

## Directors' Report

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

### 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.

### 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  
30 June 2017

Mathisen Way  
Colnbrook  
Slough  
SL3 0HB

# **Independent auditors' report to the members of Chubb Group Limited**

## **Report on the financial statements**

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### **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 2016 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 2016;
- the income statement and statement of 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.

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## **Opinions on other matters prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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## **Other matters on which we are required to report by exception**

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### **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.

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## 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.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3, 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.

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### 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
30 June 2017

# Chubb Group Limited

## Income statement

For the year ended 31 December 2016

	<i>Note</i>	2016 £'000	2015 £'000
Administrative expenses		638	12,194
Net profit/(loss) on disposal of investments		—	(11,087)
Provision for impairment of investments		(2,063)	(5,934)
<b>Operating loss</b>		<b>(1,425)</b>	<b>(4,827)</b>
<b>Loss on ordinary activities before finance charges</b>		<b>(1,425)</b>	<b>(4,827)</b>
Income from shares in group undertakings		976	9,411
Finance income	3	82,049	89,130
Finance costs	4	(49,366)	(55,491)
<b>Profit on ordinary activities before taxation</b>	5	<b>32,234</b>	<b>38,223</b>
Tax on profit on ordinary activities	9	(8,875)	(11,408)
<b>Profit for the financial year</b>		<b>23,359</b>	<b>26,815</b>

All results are derived from continuing operations.



# Chubb Group Limited

## Statement of other comprehensive income

For the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Profit for the financial year</b>	<b>23,359</b>	<b>26,815</b>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on pension scheme	(13,500)	(9,300)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension asset	3,563	4,396
Other comprehensive expense for the year net of tax	(9,937)	(4,904)
<b>Total comprehensive income for the year</b>	<b>13,422</b>	<b>21,911</b>

# Chubb Group Limited

## Balance Sheet

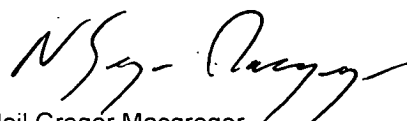
At 31 December 2016

Registered number: 00585729

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments	11	254,387	250,362
Deferred tax	14	27,781	33,093
		<b>282,168</b>	<b>283,455</b>
<b>Current assets</b>			
Debtors			
- due within one year	12	10,118,755	10,299,590
<b>Creditors: Amounts falling due within one year</b>	13	<b>(7,713,692)</b>	<b>(7,910,901)</b>
<b>Net current assets</b>		<b>2,405,063</b>	<b>2,388,689</b>
<b>Total assets less current liabilities</b>		<b>2,687,231</b>	<b>2,672,144</b>
<b>Provisions for liabilities</b>	15	<b>(35)</b>	<b>(370)</b>
<b>Net assets excluding pension asset/liability</b>		<b>2,687,196</b>	<b>2,671,774</b>
<b>Pension asset</b>		<b>147,200</b>	<b>149,200</b>
<b>Net assets</b>		<b>2,834,396</b>	<b>2,820,974</b>
<b>Equity</b>			
Called up share capital	16	116,049	116,049
Share premium		999,997	999,997
Merger reserve		767,603	767,603
Capital contribution		325,096	325,096
Other reserves		246,163	246,163
Retained earnings		379,488	366,066
<b>Total shareholders' funds</b>		<b>2,834,396</b>	<b>2,820,974</b>

The notes on pages 10 to 32 form part of these financial statements

The financial statements on pages 6 to 32 were approved by the board of directors on 30 June 2017 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 2016

	Called up share capital £'000	Share Premium £'000	Merger reserve £'000	Capital contribution £'000	Other reserves £'000	Retained earnings £'000	Total share- holders' funds £'000
<b>Balance at 1 January 2015</b>	<b>116,049</b>	<b>999,997</b>	<b>767,603</b>	<b>325,096</b>	<b>246,163</b>	<b>477,155</b>	<b>2,932,063</b>
Profit for the financial year	—	—	—	—	—	26,815	26,815
Other comprehensive (expense)/income for the year:							
- Actuarial loss on pension scheme	—	—	—	—	—	(9,300)	(9,300)
- Deferred tax movement on actuarial loss	—	—	—	—	—	4,396	4,396
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21,911</b>	<b>21,911</b>
Dividends paid	—	—	—	—	—	(133,000)	(133,000)
<b>Balance at 31 December 2015</b>	<b>116,049</b>	<b>999,997</b>	<b>767,603</b>	<b>325,096</b>	<b>246,163</b>	<b>366,066</b>	<b>2,820,974</b>
Profit for the financial year	—	—	—	—	—	23,359	23,359
Other comprehensive (expense)/income for the year:							
- Actuarial loss on pension scheme	—	—	—	—	—	(13,500)	(13,500)
- Deferred tax movement on actuarial loss	—	—	—	—	—	3,563	3,563
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13,422</b>	<b>13,422</b>
<b>Balance at 31 December 2016</b>	<b>116,049</b>	<b>999,997</b>	<b>767,603</b>	<b>325,096</b>	<b>246,163</b>	<b>379,488</b>	<b>2,834,396</b>

# **Chubb Group Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2016**

#### **1. Accounting Policies**

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

The company is a private limited company, limited by shares, and is incorporated and domiciled in England. The address of its registered office is Mathisen Way, Colnbrook, Slough, 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements are therefore prepared in accordance with the Companies Act 2006 as applicable to companies using FRS101.

The financial statements have been prepared on a going concern basis, and also on the historical cost basis, 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.

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 consolidated financial statements of its ultimate parent, United Technologies Corporation, a company incorporated in the United States of America.

As permitted by FRS 101, the company has taken advantage of 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

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 19.

# Chubb Group Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 1. Accounting Policies (continued)

##### Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year.

Annual Improvements to IFRSs 2012-2014 cycle	<p>The latest annual improvements clarify:</p> <ul style="list-style-type: none"> <li>IFRS 5 - when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to the plan of sale or distribution and does not have to be accounted for as such</li> <li>IFRS 7 - specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition</li> <li>IAS 19 - that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise</li> </ul>
Disclosure Initiative - Amendments to IAS 1	<p>The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:</p> <ul style="list-style-type: none"> <li>Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.</li> <li>Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.</li> <li>Notes - confirmation that the notes do not need to be presented in a particular order.</li> <li>OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line items in the statement of other comprehensive income.</li> </ul> <p>According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.</p>

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the company.

##### Forthcoming standards

IFRS 15 Revenue from Contracts with Customers	
Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The New standard is based on the principle that revenue is recognised when control of a good and service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	The standard will not have any impact to the accounting of Chubb Group Limited
Mandatory application date/date of adoption by group	<p>Mandatory for financial years commencing on or after 1 January 2018.</p> <p>Expected date of adoption by the company: 1 January 2018</p>

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting Policies (continued)

#### Forthcoming standards (continued)

IFRS 16 Leases	
Nature of Change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will not have any impact to the accounting of Chubb Group Limited
Mandatory application date/date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the company does not intend to adopt the standard before its effective date.

#### 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 Company's principal activity is to hold investments in other entities. Activity and future development of the Company depends on performance of the subsidiaries.

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.

#### 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 statement of comprehensive income 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.

# **Chubb Group Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2016**

#### **1. Accounting Policies (continued)**

##### **Taxation (continued)**

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 statement of comprehensive income, 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.

##### **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.

# **Chubb Group Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2016**

#### **1. Accounting Policies (continued)**

##### **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 income statement. Curtailments gains and losses are accounted for as past-service cost.

Net-interest income is recognised within finance income (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 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).



# **Chubb Group Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

### **1. Accounting Policies (continued)**

#### **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 the statement of comprehensive income 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.

#### **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.

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting Policies (continued)

#### *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
- 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.

# **Chubb Group Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

### **1. Accounting Policies (continued)**

#### ***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'.

#### ***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.

#### ***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.

#### ***Restructurings***

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 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 judgements, 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 £254,387,000 (2015: £250,362,000) with an impairment loss of £2,063,000 recognised in 2016 (2015: £5,934,000).

#### **Multi-employer 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. Management 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.

### 3. Finance Income

	2016 £'000	2015 £'000
Interest receivable:		
Other loans and receivables	76,549	83,530
Net finance income on post-retirement benefits	5,500	5,600
	<b>82,049</b>	<b>89,130</b>

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 4. Finance Costs

	2016 £'000	2015 £'000
Interest payable to group companies	(49,098)	(55,339)
Exchange loss on foreign currency borrowings less deposits (net)	(268)	(152)
	<u>(49,366)</u>	<u>(55,491)</u>

### 5. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2016 £'000	2015 £'000
Impairment of investments	10,863	5,934
Net foreign exchange losses/(gains)	268	152
Staff costs (see note 7)	(776)	1,112

### 6. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £39,000 (2015: £47,000). Included in the fees payable are amounts payable on behalf of other group companies.

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company were £ nil (2015: £ nil).

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 7. Staff Costs

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

	2016 Number	2015 Number
Administration	4	4

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	249	247
Social security costs	32	30
Other pension costs (see note 17)	(1,057)	835
	(776)	1,112

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

### 8. Directors' Remuneration and Transactions

	2016 £'000	2015 £'000
<b>Directors' remuneration</b>		
Emoluments	118	119
Company contributions to money purchase pension schemes	17	15
	135	134

	2016 Number	2015 Number
<b>The number of directors who:</b>		
Are members of a defined benefit pension scheme	1	1

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 9. Tax on Profit on Ordinary Activities

Tax expense included in the income statement:

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax on profits for the year	—	—
Adjustments in respect of prior years		
UK corporation tax	—	—
Foreign tax	—	—
<b>Total current tax</b>	<b>—</b>	<b>—</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,689	5,294
Impact of rate change	2,098	6,149
Change in recognition of deferred tax charge	88	(35)
<b>Total deferred tax (see note 14)</b>	<b>8,875</b>	<b>11,408</b>
<b>Total tax on profit on ordinary activities</b>	<b>8,875</b>	<b>11,408</b>

The charge for the year can be reconciled to the profit in the income statement as follows:

	2016 £'000	2015 £'000
<b>Profit on ordinary activities before taxation</b>	<b>32,234</b>	<b>38,223</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.00% (2015: 20.25%)	6,447	7,740
Effects of:		
Expenses not deductible for tax purposes	786	3,445
ACT	(2,334)	—
Transfer pricing adjustment	2,616	2,813
Tax rate changes	2,098	2,131
Income not subject to tax	(826)	(4,686)
Adjustments in respect of prior years	88	(35)
<b>Total tax charge for year</b>	<b>8,875</b>	<b>11,408</b>

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 2015 and a further reduction to 17% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2016 is therefore 20% and the rate used for closing deferred tax balances is 17%.

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 9. Tax on Profit on Ordinary Activities (continued)

#### Tax expense/(income) included in other comprehensive income

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2016 £'000	2015 £'000
<b>Current tax</b>	—	—
<b>Deferred tax</b>		
Pension movements	(3,563)	(4,396)
<b>Total income tax charge recognised in other comprehensive income</b>	<b>(3,563)</b>	<b>(4,396)</b>

### 10. Dividends on Equity Shares

Amounts recognised as distributions to equity holders in the year:

	2016 £'000	2015 £'000
Interim dividend for the year ended 31 December 2016 of 0p (2015:16p) per ordinary share	—	133,000
	—	133,000



# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 11. Investments

	£'000
<b>Cost</b>	
At 1 January 2016	4,067,559
Additions	6,088
At 31 December 2015	4,073,647
<b>Provisions for impairment</b>	
At 1 January 2016	3,817,197
Written off	2,063
At 31 December 2016	3,819,260
<b>Net book value at 31 December 2016</b>	<b>254,387</b>

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.

Details of the Company's directly owned subsidiaries at 31 December 2016 are as follows:

Name & Registered Address	Principal Activity	Class of share	Proportion of ownership interest
<b>Chubb Deutschland GmbH</b> Bramfelder Chaussee 100, D-22177 Hamburg, Germany	Supply, installation and service of security fire and safety equipment systems	Capital stock	100.00%
<b>Chubb Group (International) Limited</b> Mathisen Way, Colnbrook, Slough, SL3 0HB	Investment holding company	Ordinary	100.00%
<b>Chubb Group Properties Limited</b> Mathisen Way, Colnbrook, Slough, SL3 0HB	Property holding company	Ordinary	100.00%
<b>Chubb Holdings (Thailand) Limited</b> Interlink Tower, 1858/63-74 Bagna-Trad Road Km4.5, Bagna, Bangkok, Thailand	Investment holding company	Class A	49.90%
<b>Onity Co., Limited</b> Interlink Tower, 1858/63-74 Bagna-Trad Road Km4.5, Bagna, Bangkok, Thailand	Electronic locking systems	Ordinary	74.39%
<b>Chubb Iberia</b> Calle Textil 4, Parcela 6, Poligono Industrial La Ferreria, 08130 Montcada i Reixac, Barcelona, Spain	Supply, installation and service of security fire and safety equipment systems	Quota shares	57.50%
<b>Chubb Ireland Limited</b> 2 Stillorgan Industrial Park, Blackrock, County Dublin, Ireland	Supply, installation and service of security fire and safety equipment systems	Ordinary	100.00%

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 11. Investments (continued)

Details of the Company's directly owned subsidiaries at 31 December 2016 are as follows (continued):

Name & Registered Address	Principal Activity	Class of share	Proportion of ownership interest
<b>Chubb Management Services Limited</b> Mathisen Way, Colnbrook, Slough, SL3 0HB	Dormant company	Ordinary	100.00%
<b>Chubb Security Systems B.V.B.A.</b> Leuvensesteenweg 555, Zaventem, 4-B-1930, Belgium	Supply, installation and service of security fire and safety equipment systems	Capital stock	100.00%
<b>Chubb Singapore Private Limited</b> 28 Teban Gardens Crescent, 608 926, Singapore	Installation of fire protection and security alarms systems	Capital stock	70.00%
<b>Inversiones Mejicanas El Salto, S.L.</b> Poligono Makarrastegui s/n, Carretera Nacional 1, Km 475.85, Oyarzun (Guipuzcoa), Spain	Investment holding company	Quota shares	100.00%
<b>Onity LTDA</b> Rua Waldir Niemeyer 18, Sumare, Sao Paulo, Brazil	Selling locks and safes for local marketing	Capital stock	100.00%
<b>Onity SA</b> Montevideo, 955-5C, Argentina	Selling locks and safes for local marketing	Capital stock	100.00%
<b>Pilgrim House Group Limited</b> Mathisen Way, Colnbrook, Slough, SL3 0HB	Holding company for loans with entities within the group	Ordinary	100.00%
<b>Security Monitoring Centre B.V.B.A./S.P.R.L.</b> Keizer Karellaan 343/345, Bruxelles (Ganshoren), B-1083, Belgium	Security alarm monitoring	Capital stock	100.00%
<b>UTC Fire &amp; Security (Malaysia) Sdn Bhd</b> Chamber E, Lian Seng Courts, 275 Jalan Haruan 1, Oakland Industiral Park, Seremban, 70200, Malaysia	Dormant company	Ordinary	100.00%

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 11. Investments (continued)

The company owns the following indirectly through intermediate holdings company:

Name & Registered Address	Principal Activity	Class of share	Proportion of ownership interest
<b>Onity Commercial, S.A.de C.V.</b> Periferico Sur No. 7999, Segundo Piso, Oficina 204, Sta. Ma. Tequepexpan, Tlaquepaque, Jalisco, Mexico	Selling of Security Systems	Capital stock	100.00%
<b>Onity India Private Limited</b> 18, Netaji Subhash Marg, Darya Ganj, New Delhi, 110 002, India	Selling of Security Systems	Equity	100.00%
<b>Eivar Obras e Ingeniera S.A.U.</b> Calle de La Forja, 2, Pol. Ind. La Cantueña, Fuenlabrada, Madrid, 28946, Spain	Manufacture, installation and servicing of fire safety & security products	Ordinary	57.50%
<b>Firecrest Safety Systems Limited</b> 2 Stillorgan Industrial Park, Blackrock, County Dublin, Ireland	Installation and commission of fire and gas detection systems	Ordinary	100.00%
<b>Guardfire (Malaysia) Sdn Bhd</b> Chamber E, Lian Seng Courts, 275 Jalan Haruan 1, Oakland Industrial Park, Seremban, 70200, Malaysia	Dormant company	Ordinary	70.00%
<b>Onity Industrial, S.A. de C.V.</b> Periferico Sur No. 7999, Segundo Piso, Oficina 204, Sta. Ma. Tequepexpan, Tlaquepaque, Jalisco, Mexico	Selling of Security Systems (Locks, Safes, CCTV)	Series A & B	99.99%
<b>Access Control Solutions, S.A.de C.V.</b> Periferico Sur No. 7999, Segundo Piso, Oficina 204, Sta. Ma. Tequepexpan, Tlaquepaque, Jalisco, Mexico	Payroll service company	Class A	75.00%
<b>UTC Fire &amp; Security Mexico Corporation, S. de R.L. de C.V.</b> Calle 1 Eje C Parque, Industrial Navojoa, Navajoa, Sonora, 85825, Mexico	Manufacture of electronic security equipment	Class A	99.97%

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

During the year the impairment provision for Onity LTDA was increased by £2,063,000.

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 12. Debtors

Amounts falling due within one year:

	2016 £'000	2015 £'000
Amounts owed by group undertakings	10,115,837	10,296,158
Other debtors	2,918	3,432
	<b>10,118,755</b>	<b>10,299,590</b>

Included in amounts owed by group undertakings is £8,389,819,000 (2015: £8,606,483,000) which is unsecured, incurs interest at between 0.75% and 4.16% (2015: 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

	2016 £'000	2015 £'000
Amounts owed to group undertakings	7,712,531	7,908,406
Other creditors	1,161	2,495
	<b>7,713,692</b>	<b>7,910,901</b>

Amounts owed to group undertakings include loan notes of £7,093,062,000 (2015: £7,270,374,000) which are unsecured, incurs interest at between 0.75% and 1.0% (2015: 0.75% and 1.0%) and are repayable on demand. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

# Chubb Group Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 14. Deferred Tax

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

	2016 £'000	2015 £'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	52,805	59,949
Deferred tax liabilities due after more than 12 months	(25,024)	(26,856)
Total provision due after more than 12 months	27,781	33,093
Net deferred tax asset	27,781	33,093

The movement in deferred tax is as follows:

Deferred tax assets/(liabilities):

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Tax losses £'000	Total £'000
At 1 January 2015	82	(29,520)	69,543	40,105
Charged/(credited) to the income statement	(21)	(1,732)	(9,655)	(11,408)
Charged/(credited) to other comprehensive income	—	1,883	—	1,883
Charged/(credited) direct to equity	—	2,513	—	2,513
At 1 January 2016	61	(26,856)	59,888	33,093
Charged/(credited) to the income statement	(14)	(1,731)	(7,130)	(8,875)
Charged/(credited) to other comprehensive income	—	3,563	—	3,563
At 31 December 2016	47	(25,024)	52,758	27,781

# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 15. Provisions for Liabilities

	Other £'000	Total £'000
At 1 January 2015	638	638
Utilisation of provision	(268)	(268)
At 1 January 2016	370	370
Charged/(credited) to the income statement	(200)	(200)
Utilisation of provision	(135)	(135)
At 31 December 2016	35	35

### 16. Called Up Share Capital

Ordinary shares

	2016 £'000	2015 £'000
<b>Allotted, called-up and fully-paid</b>		
828,923,079 (2015: 828,923,079) ordinary shares of 14p (2015: 14p) each	116,049	116,049

### 17. Retirement Benefit Schemes

#### Defined benefit schemes

The company has a defined benefit scheme 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 scheme, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final pensionable salary 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.

Notes to the financial statements

For the year ended 31 December 2016

17. Retirement Benefit Schemes (continued)

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.
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 of the Chubb Pension Plan as at 31 December 2016 for FRS101 was undertaken by Willis Towers Watson, an independent firm of actuaries. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	2016	2015
	%	%
Key assumptions used:		
Discount rate(s)	2.57%	3.65%
Expected rate(s) of salary increase	3.25%	3.00%
Rate of inflation	2.25%	3.00%
Expected rate of increase of pensions in payment	2.25% - 4.30%	2.15% - 4.25%
Average longevity at age 65 for current pensioners (years)*		
Male	21.1	21.0
Female	23.6	23.5
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	22.7	22.6
Female	25.5	25.4

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

# Chubb Group Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 17. Retirement Benefit Schemes (continued)

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

	2016 £'000	2015 £'000
Service cost:		
Current service credit	(1,657)	(665)
Administrative expenses	600	1,500
Interest income	(5,500)	(5,600)
	<b>(6,557)</b>	<b>(4,765)</b>

Of the net expense relating to service cost for the year, £(1,057,000) (2015: £835,000) has been included in the income statement as administrative expenses. £3,157,000 (2015: £1,965,000) of the current service cost relating to this pension scheme has been borne by other employers in the group. The net interest income 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:

	2016 £'000	2015 £'000
Present value of defined benefit obligations	<b>(618,900)</b>	(550,400)
Fair value of scheme assets	<b>766,100</b>	699,600
Net liability arising from defined benefit obligation	<b>147,200</b>	149,200

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

	2016 £'000	2015 £'000
Opening defined benefit obligation	<b>550,400</b>	566,500
Current service cost	<b>1,500</b>	1,300
Interest cost	<b>19,600</b>	20,400
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	<b>78,700</b>	5,500
Actuarial gains and losses arising from experience adjustments	—	1,200
Benefits paid	<b>(31,400)</b>	(31,400)
Plan participants' contributions	<b>100</b>	100
Closing defined benefit obligation	<b>618,900</b>	550,400



# Chubb Group Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 17. Retirement Benefit Schemes (continued)

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

	2016 £'000	2015 £'000
Opening fair value of scheme assets	699,600	714,100
Interest income	25,100	26,000
Remeasurement gains/(losses):		
The return on scheme assets (excluding amounts included in net interest expense)	65,200	(15,800)
Contributions from the employer	8,100	8,100
Contributions from scheme participants	100	100
Benefits paid	(31,400)	(31,400)
Administrative costs paid	(600)	(1,500)
Closing fair value of scheme assets	766,100	699,600

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

	2016 £'000	2015 £'000
Cash and cash equivalents	17,359	93,047
Equity instruments	250,725	214,777
Debt instruments	391,800	282,638
Property	12,405	14,692
Other	93,811	94,446
Total	766,100	699,600

The actual return on scheme assets was £(65,200,000) (2015: £15,800,000).

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 period, 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 1.2%	Increase 1.2%
Salary growth rate	0.25%	Increase 0.1%	Decrease 0.1%
Pension growth rate	1%	Increase 1%	Decrease 1%
Life expectancy	1 year	Increase by 4.5%	Decrease by 4.5%

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.

# **Chubb Group Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2016**

#### **17. Retirement Benefit Schemes (continued)**

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 period, 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 £7,700,000 (2015: £8,100,000) to the defined benefit scheme during the next financial year.

#### **18. Subsequent Events**

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

#### **19. Controlling Party**

The company's immediate parent undertaking is Chubb Limited.

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](http://www.utc.com)