

Chubb Group Limited
(Registered Number 585729)

Annual report
for the year ended 31 December 2003



Chubb Group Limited

Annual report for the year ended 31 December 2003

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Chubb Group Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities, review of business and future developments

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 results for the year are set out on page 4.

The directors do not expect the nature of the business to change in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2002:£nil).

Directors

The directors of the company during the year were:

Westminster Securities Limited
Chubb Management Services Limited

Directors' share interests

None of the directors at 31 December 2003 held any interest in the share capital of the company, United Technologies Corporation, or any of its subsidiaries.

Directors' interests in contracts

During the year, none of the directors had any material interest in any contract of significance in relation to the company's business.

Charitable and political contributions

Charitable contributions of £32,500 were made in the year (2002: £89,000). No contributions were made to political parties in either year.

Payments to suppliers

At 31 December 2003 the company had no trade creditors (2002: £nil).

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors consider that in preparing the financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards, which they consider to be applicable have been followed.

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Directors' report for the year ended 31 December 2003 (continued)

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

In adopting a going concern basis in the financial statements the directors, after making enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 18 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. As a consequence of an elective resolution PricewaterhouseCoopers LLP will continue in office until further notice.

By order of the board



For and on behalf of Chubb Management Services Limited
Director

S May 2005

Independent auditors' report to the members of Chubb Group Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the directors' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

11 May 2005

Chubb Group Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Administrative expenses		(53,430)	(35,746)
Operating loss		(53,430)	(35,746)
Disposal of subsidiary undertakings	4	(1,597)	9,142
Cost of a fundamental reorganisation		(10,972)	-
Loss before interest and tax		(65,999)	(26,604)
Income from shares in group undertakings		585	19,791
Interest receivable from group undertakings and similar income		2,303	2,357
Interest payable and similar charges	5	(69,146)	(59,398)
Loss on ordinary activities before taxation	2	(132,257)	(63,854)
Tax on loss on ordinary activities	6	(848)	(30,197)
Loss on ordinary activities after taxation	14	(133,105)	(94,051)

The operating loss relates to continuing operations.

The company has no recognised gains or losses other than the loss for the year, and hence no separate statement of total recognised gains and losses has been presented.

There are no differences between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

Chubb Group Limited

Balance sheet at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	3,111	3,372
Investments	8	5,838,786	5,838,786
		5,841,897	5,842,158
Current assets			
Debtors: amounts falling due within one year	9	1,022,652	1,011,744
Cash at bank and in hand		8,038	6,467
		1,030,690	1,018,211
Creditors: amounts falling due within one year			
Borrowings	10	(81,561)	(81,975)
Other	10	(5,234,122)	(5,106,676)
		(5,315,683)	(5,188,651)
Net current liabilities		(4,284,993)	(4,170,440)
Total assets less current liabilities		1,556,904	1,671,718
Creditors: amounts falling due after one year	11	(325)	4
Provision for liabilities and charges	12	(20,918)	(2,956)
Net assets		1,535,661	1,668,766
Capital and reserves			
Called up share capital	13	232,092	232,092
Share premium account	14	18,959	18,959
Merger reserve	14	767,603	767,603
Other reserves	14	325,096	325,096
Profit and loss account	14	191,911	325,016
Equity shareholders' funds	15	1,535,661	1,668,766

The financial statements on pages 4 to 14 were approved by the board of directors on *5 May 2005* and were signed on its behalf by:



For and on behalf of Chubb Management Services Limited
Director

Chubb Group Limited

Notes to the financial statements for the year ended 31 December 2003

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain tangible fixed assets.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Transactions with group companies have not been disclosed as permitted by FRS 8.

Cash flow statement

The company was a wholly owned subsidiary of United Technologies Corporation at 31 December 2003. Consequently the company is exempt under the terms of FRS 1 from publishing its cash flow statement.

Tangible fixed assets

Depreciation on fixed assets is calculated to write off their cost or valuation over their expected useful lives at the following annual rates using the straight line method.

Leasehold land and buildings	over the period of the lease
Plant, equipment and vehicles	10% to 33⅓ %

Fixed asset investments

Fixed asset investments are held at cost less any provision for impairment

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease terms to the profit and loss account.

Foreign exchange

Assets and liabilities denominated in overseas currencies are translated into sterling at the rates ruling at the balance sheet date, unless they have been hedged by foreign currency forward contracts, when the contract rate is used. Individual transactions are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences, including unrealised gains on long term monetary items, are included in the profit and loss account. This treatment is required by SSAP 20 in order to give a true and fair view of the company's results, and overrides Schedule 4 Paragraph 12 of the Companies Act 1985 which states that only profits realised at the balance sheet date should be included in the profit and loss account. There was no impact on the profit and loss account for the year ended 31 December 2003 (2002:nil).

Deferred Taxation

Deferred tax is recognised in full on timing differences which result, at the balance sheet date, in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Principal accounting policies (continued)

Post-retirement benefits

The group operates pension schemes covering the majority of employees. The schemes are funded by contributions partly from the employees and partly from the companies at rates determined by independent actuaries. These contributions are invested separately from the company's and Chubb plc group companies' assets and no pension scheme funds are invested in the company or in other Chubb plc group companies. The Group accounts for pension costs and other post-retirement benefits in accordance with FRS17.

Onerous leases

Provision is made for onerous contract obligations for leasehold properties that are vacated, or where future sub-let income is estimated to be insufficient to meet all the obligations under the lease.

2 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging/(crediting):

	2003 £'000	2002 £'000
Depreciation of tangible owned fixed assets	604	428
Operating lease rentals:		
Plant and equipment	150	152
Land and buildings	1,793	1,362
Foreign exchange gains	(4,477)	(4,497)
Profit on disposal of fixed assets	(1)	(39)
Auditors' Remuneration:		
Audit services	513	145
Non-audit services	418	1,616

None of the directors received any emoluments during the year (2002:£nil).

3 Employee information

	2003 £'000	2002 £'000
Wages and salaries	7,395	4,400
Social security costs	521	507
Pension costs		
- defined benefit	12,110	7,352
- defined contribution	110	64
	20,136	12,323

The average weekly number of employees (including directors) employed by the company during the year was 60 (2002: 65), all of whom were employed in an administrative capacity.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

4 Disposal of subsidiary undertakings

	2003 £'000	2002 £'000
(Loss)/profit on disposal of subsidiaries:		
Tesa Hardware	(1,597)	7,668
Adjustment relating to prior year disposals	-	1,474
	(1,597)	9,142

5 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on overdrafts and bank loans	1,117	986
Interest payable to group companies	68,029	58,412
	69,146	59,398

6 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
United Kingdom corporation tax at 30% (2002: 30%):		
- Current	519	5,731
- Deferred	329	24,466
	848	30,197

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Notes to the financial statements for the year ended 31 December 2003 (continued)

6 Tax on loss on ordinary activities (continued)

Tax reconciliation

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(132,257)	(63,854)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2002:30%)	(39,677)	(19,156)
Effects of:		
Permanent differences	4,652	(3,011)
Excess of depreciation over capital allowances	(21)	98
Other timing differences	(193)	87
Group relief surrendered	35,239	21,982
Withholding tax written off	519	-
Adjustments in respect of prior periods	-	5,731
Tax charge/(credit) for the current year	519	5,731

7 Tangible fixed assets

	Plant, equipment & vehicles £'000
Cost	
At 1 January 2003	3,864
Additions	349
Disposals	(212)
At 31 December 2003	4,001
Depreciation	
At 1 January 2003	492
Charge for the year	604
Disposals	(206)
At 31 December 2003	890
Net book value	
At 31 December 2003	3,111
At 31 December 2002	3,372

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Notes to the financial statements for the year ended 31 December 2003 (continued)

8 Fixed asset investments

	Shares in group undertakings £'000
Cost	
At 1 January 2003	6,152,786
Additions	-
At 31 December 2003	6,152,786
Provision for impairment	
At 1 January 2003 and at 31 December 2003	(314,000)
Net book value	
At 31 December 2003	5,838,786
At 31 December 2002	5,838,786

At 31 December 2003, except where indicated, the Company held 100% of the issued share capital of the following operating companies through intermediate holding companies. The country of both incorporation and principal operation is also shown below. As permitted by Section 231(5) of the Companies Act 1985, only principal operating companies have been shown below. A list of all subsidiaries is attached to the Company's annual return filed with the Registrar of Companies.

A Werner GmbH	Germany	Chubb Security Services Ltd	Australia
Chubb Australia Ltd	Australia	Chubb Security Services Ltd (95%)	Taiwan
Chubb China Holdings Ltd	Hong Kong	Chubb Security Systems, Inc	USA
Chubb Electronic Security Ltd	UK	Chubb Security Systems NV	Belgium
Chubb Fire Ltd	UK	Chubb Singapore Pte Ltd (70%)	Singapore
Chubb Flame Control BV	Netherlands	Cofisec SAS	France
Chubb Home Security Pty Ltd	Australia	Compagnie Centrale Sicli SAS	France
Chubb Iberia SL	Spain	Counterforce Inc	Canada
Chubb Ireland Ltd	Ireland	Counterforce USA LP	USA
Chubb Lips Beveiliging BV	Netherlands	CSG Security Inc	Canada
Chubb Lips SpA	Italy	FFE Building Services Ltd	Australia
Chubb New Zealand Ltd	New Zealand	General Incendie SA	France
Chubb Nord-Alarm GmbH & Co KG	Germany	Guardforce Ltd	H. Kong
Chubb Sécurité SAS	France	Onity, Inc	USA
Chubb Sécurité Surveillance SA	France	Onity, SL	Spain
Chubb Security Australia Pty Ltd	Australia	Securiforce Ltd	Ireland
Chubb Security Personnel Ltd	UK	Security Monitoring Centres Ltd	UK
Chubb Security SA (Pty) Ltd	South Africa	T G Products Ltd	UK
		Vigitel SA	France

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Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Debtors

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Other debtors	5,201	7,546
Amounts owed by group undertakings	1,017,451	1,004,198
	1,022,652	1,011,744

10 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Bank overdrafts	892	261
Loans	80,669	80,669
Obligation under finance leases	-	1,045
	81,561	81,975
Other creditors	6,121	9,787
Other taxation and social security	322	341
Amounts owed to group undertakings	5,227,679	5,096,548
	5,234,122	5,106,676
	5,315,683	5,188,651

As at 31st December 2003, the loans are unsecured and are repayable to a fellow subsidiary.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

11 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Deferred taxation	325	(4)

The movement in the deferred tax (asset)/liability during the year was as follows:

	2003 £'000	2002 £'000
At 1 January	(4)	(24,470)
Charged to profit and loss account	329	24,466
At 31 December	325	(4)

There is no unprovided deferred tax. The amounts of deferred tax provided as at 31 December 2003 is as follows:

	Amount Provided 2003 £'000	Amount provided 2002 £'000
Deferred taxation:		
Accelerated capital allowances	325	189
Other short term timing differences	-	(193)
Deferred tax (asset)/liability	325	(4)

12 Provisions for liabilities and charges

	Property £'000	Litigation/ Environmental £'000	Total £'000
At 1 January 2003	2,496	460	2,956
Provided in the year	18,430	63	18,493
Utilised during the year	(531)	-	(531)
At 31 December 2003	20,395	523	20,918

Property

The provision covers onerous contract obligations for leasehold properties where vacated or where the sublet income is insufficient to meet all the obligations of the lease. The duration of these contracts ranges from one to twelve years.

Litigation/Environmental

Provision has been made for the anticipated cost of resolving litigation/environmental issues, based on professional advice. The timing of the settlement of these claims is uncertain.

Chubb Group Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

13 Share capital

	2003 £'000	2002 £'000
Authorised		
1,112,477,598 ordinary shares of 28p each (2002: 1,112,477,598)	311,494	311,494
	311,494	311,494
Allotted, called up and fully paid		
828,903,073 ordinary shares of 28p each (2002: 828,903,073)	232,092	232,092
	232,092	232,092

14 Reserves

	Share premium £'000	Merger reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2003	18,959	767,603	325,096	325,016	1,436,674
Loss for the year	-	-	-	(133,105)	(133,105)
At 31 December 2003	18,959	767,603	325,096	191,911	1,303,569

As at 31 December 2003, the company had a merger reserve of £767,603 created on the acquisition of various companies for shares where the investments were recorded at fair value.

15 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	(133,105)	(94,051)
Net reduction to shareholders funds	(133,105)	(94,051)
Opening shareholders' funds	1,668,766	1,762,817
Closing shareholders' funds	1,535,661	1,668,766

Chubb Group Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

16 Post retirement benefits

The majority of employees are members of the Chubb Stakeholder pension plan, which is operated for the benefit of UK employees of the Chubb group. This plan is a defined contribution plan.

Some of the company's employees are members of the Chubb Pension Plan, which is the principal pension plan operated for employees of the Chubb group. This plan is of the defined benefit type and costs are assessed with the advice of a qualified actuary using the projected unit method.

The cost of contributions made by the company are based on pension costs across the Chubb group as a whole.

The actuarial method used, the description of the main actuarial assumptions and the result of the most recent formal valuation, including the level of funding, are included in the financial statements of Beesail Group Limited for the year ended 31 December 2003.

17 Financial commitments

At 31 December 2003 the company had annual commitments under operating leases as follows:

	Land and buildings 2003 £'000	Other 2003 £'000	Land and buildings 2002 £'000	Other 2002 £'000
Expiring within one year	-	21	-	5
Expiring between two and five years	-	19	-	76
Expiring after more than five years	2,282	-	1,783	-
	2,282	40	1,783	81

18 Contingent liabilities

The company is party to a group arrangement with its bankers whereby its in hand balance may be applied against the overdraft of Chubb Limited.

19 Ultimate parent company

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

Copies of the United Technologies Corporation group financial statements can be obtained from:

United Technologies Corporation
One Financial Plaza
Hartford
Connecticut 06103
U.S.A.