

**Chubb Group Limited**  
**Annual Report**  
**for the year ended 31 December 2018**

Registered number: **00585729**



## 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 2018.

#### **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.

On November 26, 2018, the ultimate Parent Company, United Technologies Corporation, announced its intention to separate into three independent companies: (1) UTC, an aerospace company comprised of the Collins Aerospace Systems and Pratt & Whitney businesses, (2) Otis, and (3) Carrier.

The proposed separations are expected to be effected through spin-offs by UTC of Otis and Carrier that are intended to be tax-free for the ultimate Parent Company's shareowners for U.S. federal income tax purposes.

The ultimate Parent Company expects to complete the separation transactions by mid-year 2020.

Separation of Otis and Carrier from UTC via spin-off transactions will be subject to the satisfaction of customary conditions, including, among others, final approval by the ultimate Parent Company's Board of Directors, receipt of tax rulings in certain jurisdictions and/or a tax opinion from external counsel (as applicable), the filing with the Securities and Exchange Commission (SEC) and effectiveness of Form 10 registration statements, and satisfactory completion of financing.

#### **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.

## **Chubb Group Limited**

### **Strategic Report**

#### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 17 to the financial statements.

#### **Approval**

Approved by the Board and signed on its behalf by:



Emma Leigh  
Director  
27 August 2019

Ash House  
Littleton Road  
Ashford  
TW15 1TZ

## **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 2018.

#### **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 8.

The directors do not recommend the payment of any dividends for the year ended 31 December 2018 (2017: £nil).

#### **Going concern**

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 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  
Emma Leigh (appointed 18th June 2019)

#### **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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

#### **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:



Emma Leigh  
Director  
27 August 2019

Ash House  
Littleton Road  
Ashford  
TW15 1TZ

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

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Chubb Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

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



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

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## **Other required reporting**

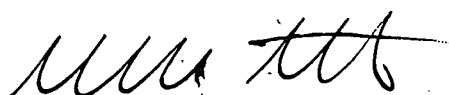
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### **Companies Act 2006 exception reporting**

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Foster (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes  
28 August 2019

## Chubb Group Limited

### Income statement

For the year ended 31 December 2018

	<i>Note</i>	<b>2018</b> £'000	2017 £'000
Administrative expenses		<b>(6,049)</b>	(1,277)
Provision for impairment of investments		<b>(191,306)</b>	—
<b>Operating (loss)</b>		<b>(197,355)</b>	(1,277)
Income from shares in group undertakings		<b>238,873</b>	2,768
<b>Profit before finance charges</b>		<b>41,518</b>	1,491
Finance income	<b>3</b>	<b>85,160</b>	69,055
Finance costs	<b>4</b>	<b>(59,247)</b>	(38,022)
<b>Profit before taxation</b>	<b>5</b>	<b>67,431</b>	32,524
Tax on profit	<b>9</b>	<b>(5,955)</b>	(7,675)
<b>Profit for the financial year</b>		<b>61,476</b>	24,849

All results are derived from continuing operations.

**Chubb Group Limited**

**Statement of comprehensive income**

**For the year ended 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>£'000</b>	2017 £'000
<b>Profit for the financial year</b>		<b>61,476</b>	24,849
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on pension scheme	<b>16</b>	<b>(25,300)</b>	30,800
Income tax relating to items not reclassified:			
- movement on deferred tax relating to pension asset	<b>9</b>	<b>4,301</b>	(5,236)
Other comprehensive income/(expense) for the year net of tax		<b>(20,999)</b>	25,564
<b>Total comprehensive income for the year</b>		<b>40,477</b>	50,413

**Chubb Group Limited**

**Balance Sheet**

**At 31 December 2018**

**Registered number: 00585729**

	<b>Note</b>	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
<b>Fixed assets</b>			
Investments	<b>10</b>	<b>72,362</b>	263,668
Deferred tax	<b>13</b>	<b>13,799</b>	15,439
		<b>86,161</b>	279,107
<b>Current assets</b>			
Debtors			
- amounts falling due within one year	<b>11</b>	<b>10,333,536</b>	10,192,295
<b>Creditors: Amounts falling due within one year</b>	<b>12</b>	<b>(7,661,785)</b>	(7,773,868)
<b>Net current assets</b>		<b>2,671,751</b>	2,418,427
<b>Total assets less current liabilities</b>		<b>2,757,912</b>	2,697,534
<b>Provisions for liabilities</b>	<b>14</b>	<b>(26)</b>	(25)
<b>Net assets excluding pension asset/liability</b>		<b>2,757,886</b>	2,697,509
<b>Pension asset</b>	<b>16</b>	<b>167,400</b>	187,300
<b>Net assets</b>		<b>2,925,286</b>	2,884,809
<b>Equity</b>			
Called up share capital	<b>15</b>	<b>116,049</b>	116,049
Share premium account		<b>999,997</b>	999,997
Merger reserve		<b>767,603</b>	767,603
Capital contribution		<b>325,096</b>	325,096
Other reserves		<b>246,163</b>	246,163
Retained earnings		<b>470,378</b>	429,901
<b>Total shareholders' funds</b>		<b>2,925,286</b>	2,884,809

The notes on pages 12 to 32 form part of these financial statements.

The financial statements on pages 8 to 32 were approved by the board of directors on 27 August 2019 and were signed on its behalf by:



Emma Leigh  
Director

**Chubb Group Limited**

**Statement of changes in equity**

**For the year ended 31 December 2018**

	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 2017</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>
Profit for the financial year	—	—	—	—	—	24,849	24,849
Other comprehensive (expense)/income for the year:							
- Actuarial loss on pension scheme	—	—	—	—	—	30,800	30,800
- Deferred tax movement on actuarial loss	—	—	—	—	—	(5,236)	(5,236)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>50,413</b>	<b>50,413</b>
<b>Balance at 31 December 2017</b>	<b>116,049</b>	<b>999,997</b>	<b>767,603</b>	<b>325,096</b>	<b>246,163</b>	<b>429,901</b>	<b>2,884,809</b>
Profit for the financial year	—	—	—	—	—	61,476	61,476
Other comprehensive (expense)/income for the year:							
- Actuarial loss on pension scheme	—	—	—	—	—	(25,300)	(25,300)
- Deferred tax movement on actuarial loss	—	—	—	—	—	4,301	4,301
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>40,477</b>	<b>40,477</b>
<b>Balance at 31 December 2018</b>	<b>116,049</b>	<b>999,997</b>	<b>767,603</b>	<b>325,096</b>	<b>246,163</b>	<b>470,378</b>	<b>2,925,286</b>

Other reserves are considered distributable and were created as the result of a capital reduction in 2012.

The merger reserve was the result of the acquisition of various companies for shares where the investments were recorded at fair value.

## **Chubb Group Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2018**

##### **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 Ash House, Littleton Road, Ashford, TW15 1TZ.

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 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

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

## **Chubb Group Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2018**

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

###### **Adoption of new and revised Standards**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the company.

###### **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.

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.

## **Chubb Group Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2018**

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

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

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

###### **Dividend and interest income**

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

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

###### **Pension costs**

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

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

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



## **Chubb Group Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2018**

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

###### **Pension costs (continued)**

The company presents the first two components of defined benefit costs within 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).

Under the rules of the Chubb Pension Plan, the right of the company to recognize a pension surplus is not explicit. The directors have obtained a legal opinion and have concluded that the company could reasonably argue an unconditional right to a return of surplus under circumstances considered in paragraph 11(b) of IFRIC 14.

###### **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 the income statement 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.

###### **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 the profit or loss within finance costs.

###### **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.

# Chubb Group Limited

## Notes to the financial statements

### For the year ended 31 December 2018

#### 1. Accounting Policies (continued)

##### *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.

##### *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.

## **Chubb Group Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2018**

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

###### ***Derecognition of financial assets***

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

###### ***Financial liabilities and equity***

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

###### ***Equity instruments***

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

###### ***Financial liabilities***

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

###### ***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.

## **Chubb Group Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2018**

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

###### **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.

##### **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.

## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

#### 2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

##### 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 £72,361,676 (2017: £263,668,000) with an impairment loss of £191,306,324 recognised in 2018 (2017: £0).

##### 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 surplus in the balance sheet. The assumptions reflect historical experience and current trends. See note 16 for the disclosures of the defined benefit scheme.

#### 3. Finance Income

	2018	2017
	£'000	£'000
Interest receivable:		
Other interest	—	380
Intercompany receivables	80,560	64,875
Net finance income on post-retirement benefits	4,600	3,800
	<u>85,160</u>	<u>69,055</u>

#### 4. Finance Costs

	2018	2017
	£'000	£'000
Interest payable to group companies	(59,216)	(38,072)
Exchange (loss)/gain on foreign currency borrowings less deposits (net)	(31)	50
	<u>(59,247)</u>	<u>(38,022)</u>

## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

##### 5. Profit Before Taxation

Profit before taxation is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Impairment of investments	191,306	—
Net foreign exchange losses/(gains)	31	(50)
Staff costs (see note 7)	5,816	1,088

##### 6. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statements were £33,905 (2017: £33,905). Included in the fees payable are amounts payable on behalf of other group companies.

Fees payable to PricewaterhouseCoopers LLP for non-audit services to the company were £nil (2017: £nil).

##### 7. Staff Costs

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

	2018	2017
	Number	Number
Administration	4	4

Their aggregate remuneration comprised:

	2018	2017
	£'000	£'000
Wages and salaries	276	268
Social security costs	39	33
Other pension costs (see note 16)	5,501	787

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

## Chubb Group Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 8. Directors' Remuneration and Transactions

	2018	2017
	£'000	£'000
<b>Directors' remuneration</b>		
Emoluments	125	123
Company contributions to defined benefit pension schemes	19	19
	<b>144</b>	<b>142</b>
	2018	2017
	Number	Number
<b>The number of directors who:</b>		
Are members of a defined benefit pension scheme	1	1

#### 9. Tax on Profit

Tax expense included in the income statement:

	2018	2017
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits for the year	—	—
Adjustments in respect of prior years		
Foreign tax	14	569
<b>Total current tax</b>	<b>14</b>	<b>569</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,759	8,057
Impact of rate change	(711)	(940)
Adjustment in respect of previous periods	(107)	(11)
<b>Total deferred tax (see note 13)</b>	<b>5,941</b>	<b>7,106</b>
<b>Total tax on profit</b>	<b>5,955</b>	<b>7,675</b>

## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

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

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

	2018	2017
	£'000	£'000
<b>Profit before taxation</b>	<b>67,431</b>	32,524
Tax at standard UK corporation tax rate of 19.0% (2017: 19.25%)	12,812	6,260
Effects of:		
Expenses not deductible for tax purposes	36,351	—
Foreign tax suffered	14	569
ACT	(70)	—
Transfer pricing adjustment	2,717	2,098
Tax rate changes	(376)	(710)
Income not subject to tax	(45,386)	(531)
Adjustments in respect of prior years	(107)	(11)
<b>Total tax charge for year</b>	<b>5,955</b>	7,675

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2018 is therefore 19% and the rate used for closing deferred tax balances is 17%.

#### Tax (income)/expense 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:

	2018	2017
	£'000	£'000
<b>Deferred tax</b>		
Pension movements	(4,301)	5,236
<b>Total income tax (charge)/credit recognised in other comprehensive income</b>	<b>(4,301)</b>	5,236



## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

#### 10. Investments

	£'000
<b>Cost</b>	
At 1 January 2018	4,076,994
At 31 December 2018	4,076,994
<b>Provisions for impairment</b>	
At 1 January 2018	3,813,326
Written off	191,306
At 31 December 2018	4,004,632
<b>Net book value at 31 December 2018</b>	<b>72,362</b>
Net book value at 31 December 2017	263,668

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

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

Details of the Company's directly owned subsidiaries at 31 December 2018 are as follows:

Name & Registered Address	Principal Activity	Class of share	Proportion of ownership interest
<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> Littleton Road, Ashford, TW15 1TZ	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 Industrial Park, Seremban, 70200, Malaysia	Dormant company	Ordinary	100.00%

## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

Details of the Company's directly owned subsidiaries at 31 December 2018 are as follows (continued):

<b>Name &amp; Registered Address</b>	<b>Principal Activity</b>	<b>Class of share</b>	<b>Proportion of ownership interest</b>
<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> Littleton Road, Ashford, TW15 1TZ	Investment holding company	Ordinary	100.00%
<b>Chubb Group Properties Limited</b> Littleton Road, Ashford, TW15 1TZ	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%
<b>Chubb Management Services Limited</b> Littleton Road, Ashford, TW15 1TZ	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>Onity LTDA</b> Rua Waldir Niemeyer 18, Sumare, Sao Paulo, Brazil	Selling locks and safes for local marketing	Capital stock	100.00%

## Chubb Group Limited

### Notes to the financial statements

For the year ended 31 December 2017

#### 10. Investments (continued)

The company owns the following indirectly through intermediate holding companies:

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>MSC Fire Products Limited</b> Unit D2 Santry Business Park, Swords Road, Dublin 9, Ireland	Supplier of fire fighting & rescue equipment	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>Chubb GF (Thailand) Limited</b> Interlink Tower, 1858/63-74 Bagna-Trad Road Km4.5, Bagna, Bangkok, Thailand	Security services	Ordinary	56.82%
<b>Guardair Aviation Security Technology Limited</b> Interlink Tower, 1858/63-74 Bagna-Trad Road Km4.5, Bagna, Bangkok, Thailand	Dormant company	Capital stock	61.86%

## Chubb Group Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 11. Debtors

Amounts falling due within one year:

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	10,330,757	10,189,460
Other debtors	2,779	2,835
	<b>10,333,536</b>	<b>10,192,295</b>

Included in amounts owed by group undertakings is £8,251,950,000 (2017: £8,441,390,000) which is unsecured, incurs interest at between 0.92% and 4.16% (2017: 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.

#### 12. Creditors: Amounts Falling due Within One Year

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	7,660,616	7,772,680
Other creditors	1,169	1,188
	<b>7,661,785</b>	<b>7,773,868</b>

Amounts owed to group undertakings include loan notes of £7,053,566,000 (2017: £7,135,982,000) which are unsecured, incurs interest at between 0.92% and 1.25% (2017: 0.75% and 1.0%) and are repayable on demand. Other amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 13. Deferred Tax

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

	2018	2017
	£'000	£'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	42,257	47,280
Deferred tax liabilities due after more than 12 months	(28,458)	(31,841)
Total provision due after more than 12 months	13,799	15,439
Net deferred tax asset	13,799	15,439

## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

#### 13. Deferred Tax (continued)

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 2017	47	(25,024)	52,758	27,781
Charged to the income statement	(8)	(1,581)	(5,517)	(7,106)
Credited to other comprehensive income	—	(5,236)	—	(5,236)
At 1 January 2018	39	(31,841)	47,241	15,439
Charged/(credited) to the income statement	(7)	(918)	(5,016)	(5,941)
Charged/(credited) to other comprehensive income	—	4,301	—	4,301
At 31 December 2018	32	(28,458)	42,225	13,799

#### 14. Provisions for Liabilities

	Other £'000	Total £'000
At 1 January 2017	35	35
Credited to the income statement	—	—
Utilisation of provision	(10)	(10)
At 1 January 2018	25	25
Utilisation of provision	1	1
At 31 December 2018	26	26

## Chubb Group Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 15. Called Up Share Capital

Ordinary shares

	2018	2017
	£'000	£'000
<b>Allotted, called-up and fully-paid</b>		
828,923,079 (2016: 828,923,079) ordinary shares of 14p (2016: 14p) each	<b>116,049</b>	116,049

#### 16. 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.

## Chubb Group Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 16. 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 value of 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 2017 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:

	2018	2017
	%	%
Key assumptions used:		
Discount rate(s)	2.70%	2.43%
Expected rate(s) of salary increase	3.00%	3.00%
Rate of inflation	2.25%	2.25%
Expected rate of increase of pensions in payment	2.25% - 4.30%	2.25% - 4.30%
Average longevity at age 65 for current pensioners (years)*		
Male	21.2	21.1
Female	23.7	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	22.6	22.8
Female	25.2	25.6

\* 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 2018

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

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

	2018	2017
	£'000	£'000
Service cost:		
Current service credit	(6)	(103)
Past service cost	4,500	—
Administrative expenses	1,000	900
Interest income	(4,600)	(3,800)
	<b>894</b>	<b>(3,003)</b>

Of the net expense relating to service cost for the year, £5,494,000 (2017: £787,000 income) has been included in the income statement as administrative expenses. £1,806,000 (2017: £1,798,000) 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:

	2018	2017
	£'000	£'000
Present value of defined benefit obligations	(572,600)	(613,300)
Fair value of scheme assets	740,000	800,600
Net surplus arising from defined benefit obligation	<b>167,400</b>	<b>187,300</b>

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

	2018	2017
	£'000	£'000
Opening defined benefit obligation	613,300	618,900
Current service cost	1,800	1,700
Interest cost	14,500	15,500
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(1,700)	—
Actuarial gains and losses arising from changes in financial assumptions	(19,300)	12,000
Actuarial gains and losses arising from experience adjustments	(6,300)	100
Past service cost	4,500	—
Benefits paid	(34,200)	(35,000)
Plan participants' contributions	—	100
Closing defined benefit obligation	<b>572,600</b>	<b>613,300</b>



## Chubb Group Limited

### Notes to the financial statements

For the year ended 31 December 2018

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

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

	2018 £'000	2017 £'000
Opening fair value of scheme assets	800,600	766,100
Interest income	19,100	19,300
Remeasurement gains/(losses):		
The return on scheme assets (excluding amounts included in net interest expense)	(52,600)	42,900
Contributions from the employer	8,100	8,100
Contributions from scheme participants	—	100
Benefits paid	(34,200)	(35,000)
Administrative costs paid	(1,000)	(900)
Closing fair value of scheme assets	<b>740,000</b>	800,600

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
Opening assets/(liabilities)	800,600	(613,300)	187,300
Benefits paid	(34,200)	34,200	—
Contributions from the employer	8,100	—	8,100
Contributions from scheme participants	—	—	—
Current service cost	—	(1,800)	(1,800)
Past service cost	—	(4,500)	(4,500)
Interest income/(expense)	19,100	(14,500)	4,600
Remeasurement gains/(losses)	(52,600)	27,300	(25,300)
Administrative costs paid	(1,000)	—	(1,000)
Closing assets/(liabilities)	<b>740,000</b>	(572,600)	167,400

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

	2018 £'000	2017 £'000
Cash and cash equivalents	13,320	22,417
Equity instruments	139,860	155,316
Debt instruments	471,380	473,955
Property	2,220	4,003
Other	113,220	144,909
Total	<b>740,000</b>	800,600

The actual return on scheme assets was a loss of £52,600,000 (2017: gain of £42,900,000).

## Chubb Group Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

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

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 1.5%	Increase 1.5%
Salary growth rate	0.25%	Increase 0.25%	Decrease 0.25%
Pension growth rate	1%	Increase 1.0%	Decrease 1.0%
Life expectancy	1 year	Increase by 7.25%	Decrease by 7.25%

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

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting 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 £8,100,000 (2017: £8,100,000) to the defined benefit scheme during the next financial year.

##### 17. Subsequent Events

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

##### 18. 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)