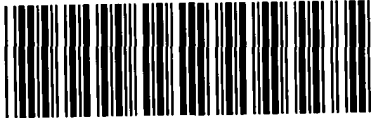


Otis Limited

**Annual report
for the year ended 30 November 2019**

Registered number: 147366

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Otis Limited

Contents

	Page(s)
Strategic report	1-2
Directors' report	3-7
Independent auditors' report	8-10
Income statement	11
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15-52

Otis Limited

Strategic report for the year ended 30 November 2019

The directors present their Strategic report for the company for the year ended 30 November 2019.

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

Business review and principal activities

Otis Limited's ("the company"), registered number 147366, principal activities are the installation of lifts, and the associated maintenance and repair of lift equipment, throughout the United Kingdom.

The results of the year's trading and the financial position of the company are shown in the annexed financial statements.

Revenue from rendering of services was up 4.6% during the year ended 30 November 2019, supported by strong maintenance and repair activities. During the same period, revenue from contracts with customers were down 34.2% following the execution in the year ending 30 November 2018 of projects coming from strong order intakes in previous years. The level of these orders continued to be impacted in 2019 by continuous uncertainties around Brexit and the increasing challenges facing the UK construction industry.

The company recorded an overall loss during the financial year ending 30 November 2019 which included higher costs than expected on new installation projects and an exceptional charge of £30.5m for an impairment loss against the carrying value of the company goodwill.

The company's board remains committed to its multi-years strategy and confident in the plan being executed to restore profitability at the company. This includes continuous investment in solutions that improve customer experience and satisfaction. We also continue to invest in our employees including our apprentice program. Our focus on 'Culture' will ensure that our employees remain engaged and committed to helping the company achieve its full potential.

On 26 November 2018, United Technologies Corporation, subsequently renamed to Raytheon Technologies Corporation on 3 April 2020 ("UTC" or "Parent") announced its intention to spin off its Otis reportable segment into a separate publicly traded company ("the Separation"). On 3 April 2020, UTC completed the spin-off of Otis through a pro-rata distribution of 0.5 shares of Otis common stock for every share of UTC common stock held at the close of business on the record date of 3 April 2020. Otis began to trade as a separate public company (NYSE: Otis) on 3 April 2020. From this date the company is a wholly owned subsidiary of Otis Worldwide Corporation.

Otis Limited

Strategic report for the year ended 30 November 2019

Key performance indicators

The company's strategy is one of growth with improved profitability. The directors monitor progress against this strategy by reference to three KPI's.

Performance for the year, together with comparative data, is set out in the table below:

	2019	2018	Definition, method of calculation and analysis
(Decrease)/Increase in sales (%)	(19.3%)	5.5%	Year on year sales movement expressed as a percentage. The year over year movement reflects a decrease in New Equipment sales revenue.
Return on sales (%)	(15.1%)	(12.3%)	Return on sales is the ratio of result on ordinary activities before taxation and interest (excluding exceptional administration expenses) to sales expressed as a percentage. Return on sales has worsened in comparison to last year and this reflects continued pressure on margin due to higher than anticipated costs on new installation projects.
Working capital turns	5.1	8.6	Working capital turns is the ratio of sales to stocks plus trade debtors less trade creditors. The number of working capital turns has worsened impacted by increasing trade debtors, despite falling revenues. Efforts have been focused on improving debt recovery.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks driven by the market, changes in regulations and risks associated with the financial strength of both suppliers and customers. The directors continually monitor and consider these risks and have strong policies and procedures that reduce their impact.

Approval

Approved by the Board and signed on its behalf by:



M Yao
Director
22 December 2020

Registered office
Chiswick Park
Building 5
Ground Floor
566 Chiswick High Road
London
W4 5YF

Otis Limited

Directors' report for the year ended 30 November 2019

The directors present their annual report and the audited financial statements of the company for the year ended 30 November 2019.

Principal activities

The principal activities of the company are the installation of lifts, and the associated maintenance and repair of lift equipment, throughout the United Kingdom.

Results and dividends

The loss for the financial year is set out in the income statement on page 10.

A dividend of £nil (2018: £6.12) per ordinary share amounting to £nil was proposed and paid during the year (2018: £7,500,000).

Future developments

On 26 November 2018, United Technologies Corporation, subsequently renamed to Raytheon Technologies Corporation on 3 April 2020 ("UTC" or "Parent") announced its intention to spin off its Otis reportable segment into a separate publicly traded company ("the Separation"). On 3 April 2020, UTC completed the spin-off of Otis through a pro-rata distribution of 0.5 shares of Otis common stock for every share of UTC common stock held at the close of business on the record date of 3 April 2020. Otis began to trade as a separate public company (NYSE: Otis) on 3 April 2020. From this date the company is a wholly owned subsidiary of Otis Worldwide Corporation.

Going concern

In making the going concern assessment, the directors have considered the impact that Covid-19 has had on the revenues and liquidity of the company including further downside scenarios that could arise over the going concern period.

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

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

Covid-19

A novel strain of coronavirus surfaced in Wuhan, China in December 2019, and has since spread throughout the rest of the world, particularly in Europe, the Middle East and North America, resulting in widespread travel restrictions, extended shutdown of non-essential businesses, including construction and hospitality venues and in some cases, impacting the Otis Worldwide Corporation Group's ('the Group') factories and our new equipment installations. The extent of the resulting impact of the coronavirus on the Group's business is uncertain at this time and will depend on future developments, but prolonged closures throughout the world and the anticipated decreases in the general level of economic activity may further disrupt the Group's operations and the operations of our suppliers, distributors and customers. Any of these factors could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Otis Limited

Directors' report for the year ended 30 November 2019

Covid-19 (continued)

Our Senior Leadership team have taken a number of measures to monitor and prevent the effects of the COVID-19 virus on our business, such as health and safety measures for our people (including social distancing, providing appropriate PPE for our on-site engineers and working from home).

The business has also secured the supply of materials that are essential to our installation, repair and maintenance operations.

At this stage, the impact on our business and the results is noticeable with site closures, impacts on non-essential maintenance and repair visits and furloughed employees but the overall assessment at this moment in time is limited and we will continue to follow the UK Government advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

The company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 November 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

Post-employment benefits

On 31 March 2020, after a consultation period with the defined benefit pension scheme members, the company decided to close the UTC UK defined benefit pension scheme, following the decision to split from United Technologies Corporation. A curtailment payment of £2.6m was paid on the closure of the scheme.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of credit risk and foreign exchange risk. The directors actively manage these risks by monitoring levels of risk and the related costs.

Foreign exchange risk

No derivatives are used other than forward exchange contracts which are entered into and used in conjunction with currency accounts in order to protect against foreign exchange movements. Foreign exchange risk arises on purchases for construction contracts and forward exchange contracts are used to mitigate these risks.

Credit risk

The company has implemented policies to carry out appropriate credit checks on potential customers before orders are taken.

Interest rate risk

The company has interest bearing assets and liabilities that include inter-company balances and loans. Rates of interest on interest bearing assets vary according to market conditions prevailing at the time. The intercompany borrowings attract a fixed rate of interest of 5.25%.

Otis Limited

Directors' report for the year ended 30 November 2019

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements, were as follows:

M Yao
R Sadler
M Batty
A Lampe (appointed 10 January 2019)
A Bierer (appointed 10 February 2020)
A Korotvicka (resigned 10 January 2019)
D Soley (resigned 3 May 2019)
R Bisson (resigned 10 February 2020)
B Rotagnon (resigned 3 July 2020)

Directors indemnities

The company has made qualifying third- party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Otis Limited

Directors' report for the year ended 30 November 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

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 the 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 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.

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.

Statement of disclosure of information to auditors

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.

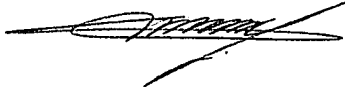
Otis Limited

Directors' report for the year ended 30 November 2019

Independent auditors

Independent auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

Approved by the Board and signed on its behalf by:



M Yao
Director
22 December 2020

Registered office
Chiswick Park
Building 5
Ground Floor
566 Chiswick High Road
London
W4 5YF

Otis Limited

Independent auditors' report to the members of Otis Limited

Report on the audit of the financial statements

Opinion

In our opinion, Otis Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its loss 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 as at 30 November 2019; 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

Independent auditors' report to the members of Otis Limited

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.

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 30 November 2019 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities in respect of the financial statements set out on page 6, 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.

Otis Limited

Independent auditors' report to the members of Otis Limited

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. 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.

Other required reporting

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.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
22 December 2020

Otis Limited

Income statement For the year ended 30 November 2019

	Note	2019 £'000	2018 £'000
Revenue	3	193,048	239,194
Cost of sales		(195,379)	(240,135)
Gross loss		(2,331)	(941)
Administrative expenses		(26,173)	(27,258)
Exceptional items	6	(35,166)	-
Net impairment losses on financial and contract assets	4	(677)	(845)
Other operating expense		(45)	(479)
Operating loss	5	(64,392)	(29,523)
Finance income	7	3,932	3,594
Finance costs	7	(4,038)	(4,033)
Loss before taxation		(64,498)	(29,962)
Tax on loss	11	(160)	615
Loss for the financial year		(64,658)	(29,347)

All results are derived from continuing operations.

The notes on pages 15 to 52 form part of these financial statements.

Otis Limited

Statement of comprehensive income For the year ended 30 November 2019

	2019 £'000	2018 £'000
Loss for the financial year	(64,658)	(29,347)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on pension scheme	(81,700)	25,300
Return on plan assets greater/(less) than discount rate	46,200	(24,200)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension asset	6,035	(187)
	(29,465)	913
Total comprehensive expense for the year	(94,123)	(28,434)

The notes on pages 15 to 52 form part of these financial statements.

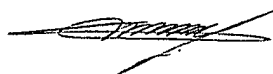
Otis Limited
Registered number: 147366

Balance sheet
As at 30 November 2019

	Note	2019 £'000	2018 As restated £'000
Fixed assets			
Intangible assets	12	156,775	188,449
Property, plant and equipment	13	5,978	6,192
Investments	14	33,170	42,838
Deferred tax asset	19	4,044	-
		199,967	237,479
Current assets			
Inventories	15	1,102	277
Post-employment benefits	23	51,500	85,200
Trade and other receivables	16	202,743	214,057
Cash and cash equivalents		21,135	20,684
		276,480	320,218
Creditors: amounts falling due within one year	17	(81,933)	(66,908)
Net current assets		194,547	253,310
Total assets less current liabilities		394,514	490,789
Creditors: amounts falling due after more than one year	18	(76,975)	(76,798)
Provisions for liabilities	20	(1,682)	(2,180)
Deferred tax liability	19	-	(1,831)
Net assets		315,857	409,980
Equity			
Called up share capital	21	183,872	183,872
Share premium account		4,198	4,198
Retained earnings		128,827	223,080
Merger reserve		(1,040)	(1,170)
Total shareholders' funds		315,857	409,980

The notes on pages 15 to 52 form part of these financial statements.

The financial statements on pages 11 to 52 were approved by the board of directors on 22 December 2020 and were signed on its behalf by:



M Yao
Director

Otis Limited

Statement of changes in equity
For the year ended 30 November 2019

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total Share- holders' funds £'000
Balance at 1 December 2017	183,872	4,198	(1,300)	258,453	445,223
Loss for the financial year	-	-	-	(29,347)	(29,347)
Other comprehensive income/(expense) for the year					
- Actuarial gain on pension scheme	-	-	-	25,300	25,300
- Return on plan assets less than discount rate	-	-	-	(24,200)	(24,200)
- Movement on deferred tax relating to pension asset and change in tax rates	-	-	-	(187)	(187)
	-	-	-	913	913
Total comprehensive loss for the year	-	-	-	(28,434)	(28,434)
Amortisation of merger reserve	-	-	130	(130)	-
Dividends paid	-	-	-	(7,500)	(7,500)
Balance at 30 November 2018	183,872	4,198	(1,170)	222,389	409,289
Effect of adoption of IFRS 15 (note 30)	-	-	-	691	691
Adjusted balance at 30 November 2018	183,872	4,198	(1,170)	223,080	409,980
Loss for the financial year	-	-	-	(64,658)	(64,658)
Other comprehensive (expense)/income for the year					
- Actuarial loss on pension scheme	-	-	-	(81,700)	(81,700)
- Return on plan assets greater than discount rate	-	-	-	46,200	46,200
- Movement on deferred tax relating to pension asset and change in tax rates	-	-	-	6,035	6,035
	-	-	-	(29,465)	(29,465)
Total comprehensive loss for the year	-	-	-	(94,123)	(94,123)
Amortisation of merger reserve	-	-	130	(130)	-
Balance at 30 November 2019	183,872	4,198	(1,040)	128,827	315,857

The notes on pages 15 to 52 form part of these financial statements.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies

Otis Limited ('the company') principal activities are the installation of lifts, and the associated maintenance and repair of lift equipment, throughout the United Kingdom.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Chiswick Park, Building 5, Ground Floor, 566 Chiswick High Road, London W4 5Y, England, United Kingdom.

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 financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006 except for the departure from the Companies Act explained in note 1.

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

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

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

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

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

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

The financial statements contain information about Otis 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 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 wholly owned members of a group;

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

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

IFRS 15 – the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129.

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 27.

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 30 November 2019. IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. No material impact on profit for the period was experienced as a result of adopting this standard. The company has applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The impact of IFRS 15 is disclosed in note 30.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2019 that 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 and Directors' report.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Going concern (continued)

The company meets its day to day working capital requirements primarily through its own cash resources. It also has access to additional short-term funding through the treasury arrangements which are provided by the ultimate parent undertaking. The company's ultimate parent undertaking and controlling party is Otis Worldwide Corporation, a company incorporated in the United States of America.

At the time of approving these financial statements the company had sufficient cash at hand to meet its day-to-day working capital needs for a period of at least 12 months. During 2020, and notwithstanding the impact of COVID-19, the company has been cash generative. The company is forecast to incur a net cash outflow in 2021 before returning to a cash generative position in 2022 in both base case and downside scenarios. In making this assessment, the directors have considered the impact that COVID-19 has had on the revenues and liquidity of the company including further downside scenarios that could arise over the going concern period. In addition, the company received confirmation from its ultimate parent company, of its willingness to continue to provide sufficient support to the company to enable it to meet its obligations during the going concern period. This provides the directors with comfort that access to the group treasury and funding arrangements including the UK cash pool facility, will continue for the foreseeable future.

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.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The useful economic lives of intangible assets acquired separately are:

Service portfolios acquired – 10 years

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to income.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset, less any residual value, on a straight-line basis over its expected useful life, as follows:

Freehold buildings	Between 25 and 50 years
Leasehold land and buildings	Over the life of the lease
Office equipment, plant and vehicles	Between 3 and 10 years

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period. Assets under construction are depreciated from the date they come into use by the business.

Goodwill

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', which requires acquired goodwill to be written off over its useful economic life.

As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £9.2 million (2018: £9.2 million) against operating result, and a reduction of £9.2 million (2018: £9.2 million) in the carrying value of goodwill in the balance sheet.

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Impairment of tangible and intangible assets(continued)

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

Inventories

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, 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.

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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, trade discounts and rebates and estimated customer returns. Revenue is only discounted where the impact of discounting is material. The business derives revenue from a number of streams and therefore uses a variety of methods for revenue recognition.

Sale of goods

Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and the recovery of the consideration is considered probable. For product sales with no installation requirements, revenue is recognized when the product is delivered to the customer in accordance with the agreed delivery terms. Where installation is also required, revenue on both the product and installation is recognized once the customer has confirmed its acceptance procedures.

On-going service contracts

Revenue is recognized in equal instalments over the period that services are provided to the customer. Where amounts are received in advance of services being provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Specific activity service contracts

Where service contracts require the performance of a specific activity, revenue is recognised once this specific activity has been completed to the performance required by the customer.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date. This is determined by measuring the costs incurred to date as a proportion of the expected cost of completing the contract. Variations in contract work, claims and incentive payments are included as revenue, to the extent that the amount can be measured reliably and its receipt is considered highly probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Revenue (continued)

Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

Multiple element contracts

Some contracts contain multiple elements, such as the delivery and installation of lifts and the provision of a maintenance contract. In these contracts these activities are treated separately where appropriate, with the relevant accounting policy for revenue recognition, as noted previously, being applied to each individual component. Revenue is allocated between the elements on the basis of fair value of each of the elements.

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.

Employees benefits

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 23) in the income statement. Curtailments gains and losses are accounted for as past-service cost. Net-interest expense or income is recognised within finance costs/income (see note 23).

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

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 derivative financial instruments).

Exceptional items

Exceptional items are items of income or expenditure falling outside of the company's day to day business, which are large enough to have an impact on the financial results of the company. Such items are disclosed separately in order to provide additional useful information to the users of the financial statements.

Leases

The company as lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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 income statement 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 income statement in the period in which they are incurred.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Financial assets

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities

Liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

Derivative financial instruments

The company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

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

Embedded derivatives

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

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

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

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.

Revenue recognition – long term contracts

Revenue is recognised on long term contracts where the outcome of the contract can reliably be estimated. Revenue and costs are recognised based on the work performed at the date of the balance sheet. This is measured looking at the actual costs incurred to date as a percentage of the total estimated costs of the project. The estimated costs of a contract are based on detailed models of expected costs, which are regularly reviewed as the project progresses.

Adjustments to total expected costs are updated as required. Revenue is based on contracted amounts, and variations to the extent that they are considered reliable and the receipt can be considered highly probable. Management assess the likelihood that variations will be recovered considering: the contractual position, success rate of similar claims and the ability of the customer to accept the variation.

Impairment of goodwill

Determining whether the company's goodwill has been impaired requires estimations of the goodwill value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the goodwill and suitable discount rates in order to calculate present values. The carrying amount of goodwill at the balance sheet date was £153,294,000 with £30,530,000 impairment loss recognised in 2019 (2018: £Nil). Please see note 12 for further details.

Impairment of financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 16 for the net carrying amount of the receivables and the associated impairment provision.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 23 for the disclosures of the defined benefit scheme.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' value 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 £33,170,000 with £4,636,000 impairment loss recognised in 2019 (2018: £Nil).

3. Revenue

An analysis of the company's revenue is as follows:

	2019 £'000	2018 £'000
Continuing operations all in the UK		
Rendering of services	96,126	91,873
Revenue from contracts with customers	96,922	147,321
	193,048	239,194

Assets and liabilities related to contracts with customers:

	2019 £'000	2018 £'000
Current contract assets	34,801	57,399
Loss allowance	(6,697)	(1,421)
Contract assets	28,104	55,978
Contract liabilities	20,606	22,022

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

Significant changes in contract assets and liabilities:

Contract assets have fallen year on year, which reflects a general fall in contract activity and the fact that many contracts are now reaching completion. Contract liabilities have remained consistent.

Revenue recognised in relation to contract liabilities:

During the year ended 30 November 2019 revenue of £19,844,220 was recognised relating to carried forward contract liabilities.

4. Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2019 £'000	2018 £'000
Impairment losses	677	845
Net impairment losses on financial and contract assets	677	845

Of the above impairment losses £55,421 (2018: £108,954) relates to receivables arising from contracts with customers.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

5. Operating loss

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

	2019	2018
	£'000	As restated £'000
Net foreign exchange (gains) / losses	(30)	742
Depreciation of tangible fixed assets:		
- owned	1,015	886
Amortisation of intangible assets (included in administrative expenses)	1,144	1,144
Inventory recognised as expense	5,542	7,586
Impairment of inventory (included in cost of sales)	180	180
Impairment of trade receivables	222	345
Operating lease expenses	2,501	3,163
Staff costs (see note 9)	77,492	82,500

6. Exceptional items

	2019	2018
	£'000	£'000
Impairment of intangible fixed assets (see note 12)	30,530	-
Impairment of fixed asset investments (see note 14)	4,636	-
	35,166	-

7. Interest income and expense

Finance income

	2019	2018
	£'000	£'000
Interest receivable:		
Bank deposits	1,532	1,394
Net finance income on post-retirement benefits	2,400	2,200
	3,932	3,594

Finance costs

	2019	2018
	£'000	£'000
Interest on intragroup loans	4,038	4,033

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

8. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £154,350 (2018: £88,350).

There were no fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services.

9. Employees

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

	2019 Number	2018 Number
Direct employees	761	828
Sales & administration	578	568
	1,339	1,396

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	67,416	67,286
Social security costs	5,376	6,108
Other pension costs (see note 23)	4,700	9,106
	77,492	82,500

In the prior year, other pension costs include a non-recurring charge of £4.3m for historical pension past service cost relating to a Guaranteed Minimum Pension (GMP) equalisation. This related to the cost of equalising certain pension benefits between men and women in the UK schemes for the impact of GMP for the period 17 May 1990 and 5 April 1997. This followed an external court ruling on the subject during the year and impacts most UK companies that have a Defined Benefit pension scheme.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

10. Directors' remuneration and transactions

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	1,624	1,382
Compensation for loss of office	-	93
	1,624	1,475

Included within emoluments above is an amount of £34,000 related to contributions to defined contribution pension arrangements.

	2019 £'000	2018 £'000
Remuneration of the highest paid director:		
Emoluments	512	305

There are no accrued entitlements as at the end of the year in respect of the highest paid director who is not a member of the company's defined benefit pension scheme (2018: £Nil). There is also no accrued lump sum.

Directors' transactions

Details of transactions with directors during the year are disclosed in note 26.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

11. Tax on loss

Tax expense/(credit) included in profit or loss:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on losses for the year	-	-
Total current tax	-	-
Deferred tax		
Current year	181	(674)
Adjustments in respect of prior years	15	(12)
Impact of rate change	(36)	71
Total deferred tax charge/(credit) (see note 19)	160	(615)
Total tax on loss	160	(615)

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

	2019 £'000	2018 £'000
Loss before taxation	(64,498)	(29,962)
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	(12,255)	(5,693)
Effects of:		
Expenses not deductible for tax purposes	6,915	304
Re-measurement of deferred tax – changes in UK tax rates	(36)	71
Adjustments in respect of prior years	15	(12)
Effects of group relief/other reliefs for £nil consideration	5,521	4,715
Total tax charge/(credit) for the year	160	(615)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Subsequent to this Finance Bill, at budget 2020, the UK government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%. This tax rate had not been enacted at the balance sheet date and as a consequence the tax rate of 17% has been used for the purposes of deferred tax calculations. The difference between tax rates enacted at year end of 17% and the rates subsequently enacted as part of the Finance Bill 2020 is not deemed to be material to the company.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

11. Tax on loss (continued)

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:

	2019 £'000	2018 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Origination and reversal of timing differences	(6,035)	187
Total income tax (credit)/charge recognised in other comprehensive income	(6,035)	187

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

12. Intangible assets

	Goodwill £'000	Service portfolio £'000	Total £'000
Cost			
At 1 December 2018 and 30 November 2019	187,235	11,436	198,671
Accumulated amortisation and impairment			
At 1 December 2018	3,411	6,811	10,222
Amortisation	-	1,144	1,144
Impairment	30,530	-	30,530
At 30 November 2019	33,941	7,955	41,896
Net book value			
At 30 November 2019	153,294	3,481	156,775
At 30 November 2018	183,824	4,625	188,449

The service portfolio has a remaining amortisation period of 3 years (2018: 4 years) on a straight-line basis. Amortisation has been included in the income statement within administrative expenses.

An annual impairment test of the goodwill balance was performed as at 30 November 2019. This identified an impairment of £30,530,000. The impairment test was performed using a value-in-use model which incorporates a number of key assumptions, the most significant of which were a discount rate of 7.8%, a long-term growth rate of 2%, forecasted sales, forecasted gross margins, and forecasted administrative costs.

The forecasted gross margins assume a recovery from recent performance of the business which in 2019 was adversely impacted by significant increases in estimated costs on a number of long-term construction contracts. Forecast sales and gross margins are assumed to increase going forwards, becoming stable in 2025. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external and internal sources (prospective and historical data).

If the post-tax discount rate applied to the cash flow projections had been 1% higher than management's estimates (8.8% instead of 7.8%), an additional impairment of £30,473,000 would have had to be recognised against the carrying value of goodwill.

If the overall forecast sales growth used in management's assessments was one percentage point lower in each year of the cash flow period, the company would have had to recognise a further impairment to the carrying value of the goodwill of £13,190,000.

If the overall forecast gross margin used in management's assessment was one percentage point lower in each year where cash flow period, the company would have had to recognise a further impairment against the carrying value of goodwill of £32,621,000.

Otis Limited

**Notes to the financial statements
For the year ended 30 November 2019**

13. Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Office equipment, plant and vehicles	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 December 2018	3,977	1,261	8,014	-	13,252
Additions	-	61	24	716	801
Reclassification	-	-	-	-	-
At 30 November 2019	3,977	1,322	8,038	716	14,053
Accumulated depreciation					
At 1 December 2018	2,539	476	4,045	-	7,060
Depreciation	175	66	774	-	1,015
Reclassification	-	-	-	-	-
At 30 November 2019	2,714	542	4,819	-	8,075
Net book value					
At 30 November 2019	1,263	780	3,219	716	5,978
At 30 November 2018	1,438	785	3,969	-	6,192

2019	2018
£'000	£'000

The net book amount of land and buildings comprises:

Freehold Land	200	200
Freehold buildings	1,063	1,238
Short leasehold property	780	785
	2,043	2,223

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

14. Investments

	Shares in subsidiary undertakings £'000	Shares in participating interest £'000	Total £'000
Cost			
At 1 December 2018	52,583	5,116	57,699
Disposals	-	(5,032)	(5,032)
At 30 November 2019	52,583	84	52,667
Provisions for impairment			
At 1 December 2018	14,777	84	14,861
Impairment in year	4,636	-	4,636
Disposals	-	-	-
At 30 November 2019	19,413	84	19,497
Net book value			
At 30 November 2019	33,170	-	33,170
At 30 November 2018	37,806	5,032	42,838

Details of the company's subsidiaries at 30 November 2019 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee and are 100%.

Name	Place of incorporation and operation	Nature of business	Registered address
Otis Elevator Ireland Limited	Ireland	Manufacture, installation and service of lifts and escalators	Unit 6, Broomhill Business Park, Broomfield Road Dublin 24
Elevation Lift Services Limited	Great Britain	Dormant	Chiswick Park Building 5 Ground Floor 566 Chiswick High Road, London, W4 5YF
Axis Holdco Limited	Great Britain	Dormant	Unit 27, Focus 303 Business Centre, Walworth Industrial Estate, Andover, SP10 5NY
Blickglen Lifts Limited	Great Britain	Dormant	Unit G1, 65 Glasshill Street, London, SE1 0QR
Axis Elevators Limited	Great Britain	Manufacture, installation and service of lifts and escalators	Unit 27, Focus 303 Business Centre, Walworth Industrial Estate, Andover, SP10 5NY
Abbey Liftcare	Great Britain	Manufacture, installation and service of lifts and escalators	Regus House, Victory Way, Crossways Business Park, Dartford, DA2 6QD

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

14. Investments (continued)

Name	Place of incorporation and operation	Nature of business	Registered address
The Express Lift Company Ltd.	Great Britain	Manufacture, installation and service of lifts and escalators	Regus House, Victory Way, Crossways Business Park, Dartford, DA2 6QD
Triangle Lift Services Limited	Great Britain	Manufacture, installation and service of lifts and escalators	8 Windmill Business Park, Windmill Road, Kenn, Clevedon, North Somerset, BS21 6SR
Otis Isle of Man	Isle of Man	Manufacture, installation and service of lifts and escalators	Chiswick Park Building 5 Ground Floor 566 Chiswick High Road, London, W4 5YF
*West of Ireland Lifts Ltd	Ireland	Manufacture, installation and service of lifts and escalators	The Waterfalls, Bracklagh, Liscarney, Westport, Co. Mayo.
*Liffey Lifts & Escalators	Ireland	Manufacture, installation and service of lifts and escalators	The Waterfalls, Bracklagh, Liscarney, Westport, Co. Mayo.

* The immediate parent of West of Ireland Lifts Ltd and Liffey Lifts & Escalators Ltd, is Otis Elevator Ireland Limited.

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

Impairment tests of the carrying value of investments held in Otis Elevator Ireland Limited ("Otis Ireland"), Abbey Liftcare Limited ("Abbey"), Triangle Lift Services Limited ("Triangle") and Axis Elevators Limited ("Axis") was performed as at 30 November 2019. Impairment losses of £3,833,000 in respect of Otis Ireland and £803,000 in respect of Abbey have been recognised in the financial statements. The impairment test was performed using value in use models which incorporate a number of key assumptions, the most significant of which are post-tax discount rates, and judgements regarding forecast sales and forecasted gross margins.

The forecast margins in Otis Ireland assume a recovery from recent performance of the business which in 2019 was adversely impacted by significant increases in estimated costs on a limited number of long-term construction contracts. Forecast margins in Abbey, Axis and Triangle are to remain relatively stable, only increasing by a small factor over the cash flow projection period. Forecast sales and gross margins are assumed to increase going forwards for all assessed companies. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external and internal sources (prospective and historical data).

If the post-tax discount rates used in management's assessments were to increase by 1% for Otis Ireland and Axis, the company would have had to recognise further impairments to the carrying value of the investments of £7,477,000.

If the overall forecast sales growth used in management's assessments was one percentage point lower in each year of the cash flow projection period for Otis Ireland and Axis, the company would have had to recognise further impairments to the carrying value of the investments of £2,760,000 in total.

If the overall forecast gross margin used in management's assessments was one percentage point lower in each year of the cash flow projection period for Otis Ireland and Axis, the company would have had to recognise further impairments to the carrying value of the investments of £4,644,000 in total.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

14. Investments (continued)

Participating Interest	Place of incorporation	Principal activity	Equity holding
Al Majid Express Lift Company (Private)	Dubai	Service & installation of lifts	33.0%

All the interests in participating interest are in the ordinary share capital of the company concerned.

The disposal in the year relates to a 39% interest in Liftec Lifts Limited. This investment was transferred at cost to a fellow subsidiary on 7 May 2019.

15. Inventories

	2019 £'000	2018 As restated £'000
Finished goods and goods for resale	1,102	277

The difference between the carrying value and the replacement cost of inventory is not considered to be significant.

Inventories are stated after provisions for impairment of £1,438,647 (2018: £1,258,647).

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

16. Trade and other receivables

	2019	2018
	£'000	As restated £'000
Trade receivables	45,304	37,028
Amounts owed by group undertakings	105,090	100,436
Other receivables	848	984
Prepayments and accrued income	16,700	18,210
Contract assets	34,801	57,399
	202,743	214,057

Included within amounts owed by group undertakings is a receivable balance from Otis E&M Company Limited of £6,088,437. This represents surplus cash pooled with Otis E&M Company Limited, this was previously held with Parkview Treasury Services (UK) Ltd (2018: £10,720,071). Also, within the balance is a receivable balance from Otis International Lending of £64,000,000 which also represents surplus cash deposited with Otis International Lending. This was previously held with Beacon Luxembourg Sarl (2018: £64,000,000).

Amounts owed by group undertakings relate to trading balances with parent, fellow subsidiary and subsidiary undertakings. They are unsecured, have no fixed date of repayment and are repayable on demand.

Trade receivables are stated after provisions for impairment of £12,259,340 (2018: £9,961,219).

17. Creditors: amounts falling due within one year

	2019	2018
	£'000	As restated £'000
Trade creditors	8,434	9,600
Amounts owed to group undertakings	16,856	7,302
Other taxation and social security	5,142	2,406
Accruals and deferred income	30,895	25,578
Contract liabilities	20,606	22,022
	81,933	66,908

Amounts owed to group undertakings relate to trading balances with parent, fellow subsidiary and subsidiary undertakings. They are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

18. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	76,975	76,798

The amounts owed to group undertakings falling due after more than one year represent amounts borrowed to fund the UTC UK Pension Scheme (defined benefit scheme). The loan is unsecured, bears interest at 5.25% and matures in May 2025. The loan was invested in the pension scheme under the Asset-Backed Contribution (ABC) structure. See Note 23 for further details.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

19. Deferred tax

Deferred tax (assets)/liabilities due after more than 12 months are provided as follows:

	Post-employment benefit obligations	Total
	£'000	£'000
At 1 December 2018	1,455	1,455
Charged to profit and loss	306	306
Credited to other comprehensive income	(6,035)	(6,035)
At 30 November 2019	(4,274)	(4,274)

The company recognises deferred tax liabilities/(assets) due within 12 months as follows:

	IFRS 15 Contract balances £'000	Accelerated tax depreciation £'000	Restructuring provision £'000	Derivatives £'000	Intangibles £'000	Total £'000
At 1 December 2018	-	82	(14)	167	(21)	214
Impact of IFRS 15 adoption (see note 30)	162	-	-	-	-	162
Revised balance at 1 December 2018	162	82	(14)	167	(21)	376
(Credited)/Charged to profit and loss	(162)	23	14	(16)	(5)	(146)
At 30 November 2019	-	105	-	151	(26)	230

The provision for deferred tax consists of the following deferred tax liabilities/(assets)

	2019	2018 Restated (see note 30)
	£'000	£'000
Deferred tax assets due within 12 months	-	-
Deferred tax liabilities due within 12 months	230	376
Total provision due within 12 months	230	376
Deferred tax assets due after more than 12 months	(4,274)	-
Deferred tax liabilities due after more than 12 months	-	1,455
Total provision due after more than 12 months	(4,274)	1,455
Total deferred tax asset/(liability)	(4,044)	1,831

Otis Limited

**Notes to the financial statements
For the year ended 30 November 2019**

20. Provisions for liabilities

	Public liability provision £'000	Restructuring provision £'000	Total £'000
At 1 December 2018	1,641	539	2,180
(Credits)/charges to the income statement	(203)	45	(158)
Amounts utilised	(86)	(254)	(340)
At 30 November 2019	1,352	330	1,682

Public liability provision

The public liability charge for the year and the year-end balance relates to legal claims made against the company by the general public, primarily for losses suffered as a result of personal injury.

Restructuring provision

The restructuring charge for the year and the year-end balance relates to severance costs.

21. Called up share capital

Ordinary shares

	2019 £'000	2018 £'000
Allotted and fully-paid		
1,225,000 (2018: 1,225,000) ordinary shares of £1 each	1,225	1,225
182,647,000 (2018: 182,647,000) deferred shares of £1 each	182,647	182,647
	183,872	183,872

22. Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £'000	2018 £'000
Not later than one year	2,263	537
Later than one year and not later than five years	3,443	4,036
Later than five years	192	-
	5,898	4,573

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

23. Post-employment benefits

The company formerly participated in the Otis Retirement Plan. On 2 January 2009 this scheme merged with other group schemes to form the UTC UK Pension Scheme. This provides benefits to certain employees within the Otis Group.

The Otis Security Plan (the defined benefit section of the Otis Retirement Plan) was closed to new entrants with effect from September 1996 and a defined contribution section (the Otis Pensions Savings Plan) was introduced for new members. The defined contribution section of the scheme was closed on 31 March 2012 and a new Prudential Stakeholder Pension Scheme was introduced on 1 April 2012, this was subsequently replaced by the Zurich Stakeholder Pension Scheme in October 2013.

Defined contribution schemes

The total cost charged to income of £2,200,000 (2018: £1,806,000) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. Contributions to this scheme are expensed as incurred and there are no amounts outstanding at the balance sheet date.

Defined benefit schemes

The UTC UK Pension Scheme (defined benefit scheme) is administered by the UTC Pension Trust Limited 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 Otis Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary for each complete month and year of pensionable service on attainment of a retirement age of 65. The pensionable salary is based on total earnings in the tax year prior to leaving service. In addition, the service period is limited to 40 years resulting in a maximum yearly entitlement (life-long annuity) of 2/3 of final salary.

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

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

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

23. Post-employment benefits (continued)

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

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

A full accounting valuation for accounting purposes of the Otis Section of the UTC (UK) Pension Scheme as at 31 December 2014 was carried out by Willis Towers Watson using the projected unit method. This valuation was updated as at 30 November 2019 by Willis Towers Watson. A separate valuation is performed for cash funding.

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

	2019	2018
	%	%
Key assumptions used:		
Discount rate	1.93	2.97
Expected rate of salary increase	3.00	2.75
Retail price inflation	3.00	3.25
Consumer price inflation	2.00	2.25
Expected rate of increase of pensions in payment (where RPI min 0% max 5% applies)	2.85	3.00
Expected rate of increase of pensions in payment (where RPI min 0% max 3% applies)	2.15	2.25
Revaluation in deferment (where CPI min 0% max 5% applies)	2.25	2.25
Revaluation in deferment (where CPI min 0% max 2.5% applies)	2.25	2.25
Average longevity at age 65 for current pensioners (years)*		
Male	22.0	21.2
Female	23.5	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	23.3	22.6
Female	25.0	25.2

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

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

23. Post-employment benefits (continued)

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

	2019 £'000	2018 £'000
Current service cost	2,500	3,000
Past service cost – plan amendments	-	4,300
Interest income	(2,400)	(2,200)
Administration costs incurred during the year	1,400	1,200
	1,500	6,300

Of the expense (service and administration costs) for the year, £2,886,000 (2018: £6,290,000) has been included in the income statement as cost of sales and £1,014,00 (2018: £2,210,000) has been included in administrative expenses. The net interest income has been included within finance income (see note 7).

The re-measurement of the net defined benefit asset 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:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(557,200)	(483,100)
Fair value of scheme assets	608,700	568,300
Funded status	51,500	85,200
Restrictions on asset recognised	-	-
Net defined benefit asset	51,500	85,200

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

23. Post-employment benefits (continued)

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

	2019 £'000	2018 £'000
Opening defined benefit obligation	483,100	515,900
Current service cost	2,500	3,000
Past service cost – plan amendments	-	4,300
Interest cost	14,100	13,400
Re-measurement losses/(gains):		
Actuarial gains arising from experience adjustments	-	(800)
Actuarial losses/(gains) arising from changes in financial assumptions	77,000	(22,000)
Actuarial losses/(gains) arising from changes in demographic assumptions	4,700	(2,500)
Benefits paid	(24,200)	(28,200)
Closing defined benefit obligation	557,200	483,100

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

	2019 £'000	2018 £'000
Opening fair value of scheme assets	568,300	602,900
Interest income	16,500	15,600
Re-measurement losses/(gains):		
The return on scheme assets (excluding amounts included in net interest expense) greater/(less) than discount rate	46,200	(24,200)
Contributions from the employer	3,300	3,400
Benefits paid	(24,200)	(28,200)
Administrative costs paid	(1,400)	(1,200)
Closing fair value of scheme assets	608,700	568,300

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

23. Post-employment benefits (continued)

Reconciliation to the balance sheet is as follows:

	2019 £'000	2018 £'000
Opening defined benefit asset	85,200	87,000
Current service cost	(2,500)	(7,300)
Net Interest on net defined benefit asset	2,400	2,200
Remeasurement gains/(losses):		
Actuarial (losses)/gains arising from changes in demographic assumptions	(4,700)	2,500
Actuarial gains arising from experience adjustments	-	800
Actuarial (losses)/gains arising from changes in financial assumptions	(77,000)	22,000
Return on plan assets greater/(less) than discount rate	46,200	(24,200)
Employer contributions	3,300	3,400
Administration costs incurred during the year	(1,400)	(1,200)
Closing defined benefit asset	51,500	85,200

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

	2019 £'000 Quoted	2019 £'000 Unquoted	2019 £'000 Total
Cash, equity, securities and cash equivalents	34,087	114,435	148,522
Debt instruments	280,002	1,826	281,828
Property	10,957	-	10,957
Other	73,044	94,349	167,393
Total	398,090	210,610	608,700

	2018 £'000 Quoted	2018 £'000 Unquoted	2018 £'000 Total
Cash, equity, securities and cash equivalents	37,508	102,862	140,370
Debt instruments	252,325	2,273	254,598
Property	10,797	6,252	17,049
Other	71,606	84,677	156,283
Total	372,236	196,064	568,300

The actual gain on scheme assets was £46,200,000 (2018: loss £24,200,000).

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

23. Post-employment benefits (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 year, while holding all other assumptions constant.

	Impact on defined benefit obligation		
	Change in assumption	Increase in total liabilities	Decrease in total liabilities
Discount rate	Increase by 0.1%	-	£11.1m
Salary growth rate	Increase by 1%	£11.1m	-
Inflation sensitivity	Increase by 0.1%	£5.6m	-
Life expectancy	Increase of 1 year	4% increase	-

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

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

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

The company expects to make a contribution of £1,500,000 (2018: £3,300,000) to the defined benefit scheme during the next financial year.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

24. Financial instruments

Categories of financial instruments at fair value

	2019 £'000	2018 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	886	984

Changes in value of financial instruments at fair value

Profit for the year has been arrived at after charging:

	Year ended 2019 £'000	Year ended 2018 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	98	911

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted forward rates matching maturities of the contracts.

Derivatives

The company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

It is the policy of the company to enter into forward foreign exchange contracts to cover specific foreign currency payments within 90% to 100% of the exposure generated. The company also enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase transactions out to 5 years within 90% to 100% of the exposure generated.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

25. Contingent liabilities

	2019 £'000	2018 £'000
Performance guarantees	9,980	9,495

In the opinion of the directors no liability is expected to arise.

26. Related party transactions

Directors' transactions

None of the directors have had loans with the company at any time during this or the previous year.

Other related party transactions

The company has no disclosure to make on related party transactions as all transactions with other group companies are with wholly owned companies within the United Technologies Corporation group.

27. Controlling party

The company's immediate majority parent undertaking is Otis Investments Limited, with minority interests owned by Atlantic Lifts, Inc. and Otis UK Holding Limited.

At 30 November 2019, the company's ultimate parent undertaking and controlling party is United Technologies Corporation, a company incorporated in the United States of America. From 2 April 2020, following the separation of United Technologies Corporation into three publicly traded companies, the ultimate parent undertaking and controlling party is Otis Worldwide Corporation which is 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

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

28. Post balance sheet events

Separation

The company is a wholly owned subsidiary of Otis Worldwide Corporation ("the Parent Company"). On 2 April 2020, the Parent Company entered into a Separation and Distribution Agreement with United Technologies Corporation (since renamed Raytheon Technologies Corporation) ("UTC"), pursuant to which, among other things, UTC agreed to separate into three independent, publicly traded companies – UTC, Carrier Global Corporation ("Carrier") and the Parent Company (the "Separation") – and distribute (the "Distribution") all of the outstanding common stock of the Parent Company to UTC shareowners who held shares of UTC common stock as of the close of business on 19 March 2020, the record date for the distribution. UTC distributed 433,079,455 shares of common stock of the Parent Company in the Distribution, which was effective at 12:01 a.m., Eastern Time, on 3 April 2020 (the "Effective Time"). As a result of the Distribution, the Parent Company is now an independent public company and its common stock is listed under the symbol "OTIS" on the New York Stock Exchange.

In connection with the Separation and the Distribution, on 2 April 2020, the Parent Company entered into various agreements with UTC and Carrier to provide a framework for the Parent Company's relationship with UTC and Carrier after the Separation and the Distribution, including the following agreements:

- Separation and Distribution Agreement
- Transition Services Agreement
- Tax Matters Agreement
- Employee Matters Agreement
- Intellectual Property Agreement

Summaries of the material terms of these agreements can be found in the Parent Company's information statement, dated 16 March 2020, which was included as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on 16 March 2020 (the "Information Statement"), under the section entitled "Certain Relationships and Related Party Transactions."

Covid-19

A novel strain of coronavirus surfaced in Wuhan, China in December 2019, and has since spread throughout the rest of the world, particularly in Europe, the Middle East and North America, resulting in widespread travel restrictions, extended shutdown of non-essential businesses, including construction and hospitality venues and in some cases, impacting the Otis Worldwide Corporation Group's ('the Group') factories and our new equipment installations. The extent of the resulting impact of the coronavirus on the Group's business is uncertain at this time and will depend on future developments, but prolonged closures throughout the world and the anticipated decreases in the general level of economic activity may further disrupt the Group's operations and the operations of our suppliers, distributors and customers. Any of these factors could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our Senior Leadership team have taken a number of measures to monitor and prevent the effects of the COVID-19 virus on our business, such as health and safety measures for our people (including social distancing, providing appropriate PPE for our on-site engineers and working from home).

The business has also secured the supply of materials that are essential to our installation, repair and maintenance operations.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

28. Post balance sheet events (continued)

Covid-19 (continued)

At this stage, the impact on the company's business and the results is noticeable with site closures, impacts on non-essential maintenance and repair visits and furloughed employees but the overall assessment at this moment in time is limited and we will continue to follow the UK Government advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

The company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 November 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

Dividends

In November 2020 the company received an interim dividend of £2,000,000 from Axis Holdco Limited in respect of the year ended 31 December 2020; an interim dividend from Triangle Lift Services Limited in respect of the year ended 30 November 2020; and an interim dividend of £376,000 from The Express Lift Company Limited in respect of the year ended 31 August 2021.

The company declared and paid an interim dividend of £75,000,000 in respect of the year ended 30 November 2020.

Post-employment benefits

On 31 March 2020, after a consultation period with the defined benefit pension scheme members, the company decided to close the UTC UK defined benefit pension scheme, following the decision to split from United Technologies Corporation. A curtailment payment of £2.6m was paid on the closure of the scheme.

29. Prior year adjustments

During the year, an error was identified relating to incorrect classification of contract balances as at year ended 30 November 2018. As a result of this error contract assets and contract liabilities were overstated by £68,190,418. There was no impact on loss for the year or the income statement.

Consequently, the balance sheet financial line items "Trade and other receivables" and "Creditors: Amounts falling due within one year", along with note 16 and 17 have been restated to correct this error.

Post-employment benefits have been amended on the balance sheet to reflect the correct accounting classification of such a balance. The impact as at 1 December 2018 was to move the balance of £85.2m recognised under liabilities to current assets.

Otis Limited

Notes to the financial statements For the year ended 30 November 2019

30. Change of accounting policy

As a result of adopting IFRS 15 Revenue from Contracts with Customers prior year financial statements had to be restated. In accordance with the transition provisions in IFRS 15 the company adopted the new rules retrospectively and has restated comparatives for the 2018 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application 1 December 2018.

	Prior year carrying value under IAS18 30 November 2018 £'000	Remeasurement £'000	Reclassification £'000	IFRS 15 carrying value 30 November 2018 £'000
Contracts in progress	318,674	914	(319,588)	-
Progress claims	(193,999)	-	193,999	-
Contract assets	-	-	57,399	57,399
Prepayments and accrued income	17,146	1,064	-	18,210
Accruals and deferred income	(24,453)	(1,125)	-	(25,578)
Payments on account	(90,212)	-	90,212	-
Contract liabilities	-	-	(22,022)	(22,022)
Deferred tax	(1,669)	(162)	-	(1,831)

The impact on retained earnings was £691,000.