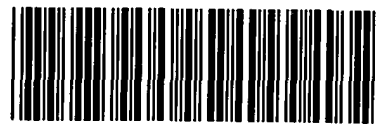


Otis Limited

**Annual report
for the year ended 30 November 2022**

Registered number: 147366

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Otis Limited

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Otis Limited

Strategic report for the year ended 30 November 2022

The directors present their Strategic report for the company for the year ended 30 November 2022.

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 escalators, and the associated maintenance and repair of lift and escalator 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 decreased by 3.9% during the year ended 30 November 2022, which was mainly attributable to the mix of contracts fulfilled and the timing of completions.

During the same period, revenue from contracts with customers increased by 3.3%. The level of these orders were impacted during 2021 by COVID-19 and the continuing challenges within the UK construction industry, however during 2022 the company is seeing a return to pre pandemic activity levels.

The company recorded an operating profit for the year (2021: loss). This was achieved due to the continued control of costs and market focus.

Overall, the company recorded a loss of £59,674,000 during the financial year, this was impacted by non-recurring, non-cash impairments being recognised against the carrying value of both goodwill and investments in subsidiaries.

The net assets at 30 November 2022 were £142,005,000 (2021: £201,679,000).

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.

Otis Limited

Strategic report for the year ended 30 November 2022

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 KPIs.

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

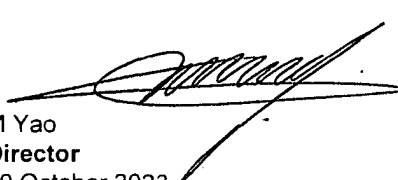
	2022	2021	Definition, method of calculation and analysis
(Decrease)/increase in sales (%)	(0.5%)	4.8%	Year on year sales movement expressed as a percentage. The year over year movement has remained relatively static with the small reduction in New Equipment sales revenue being franked by an improvement in Service revenue.
Return on sales (%)	0.9%	(4.5%)	Return on sales is the ratio of operating result (excluding exceptional administration expenses) to sales expressed as a percentage. Return on sales has continued the upward trend seen in the prior year and this reflects an improved margin position due to improved management of costs on new installation projects and better margins achieved on Service contracts.
Working capital turns	4.3	4.8	Working capital turns is the ratio of sales to stocks plus trade debtors less trade creditors. The number of working capital turns has remained stable.

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
20 October 2023

Registered office
10th Floor Vantage
Great West Road
Brentford
England
TW8 9AG

Otis Limited

Directors' report for the year ended 30 November 2022

The directors present their annual report and the audited financial statements of the company for the year ended 30 November 2022.

Principal activities

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

Results and dividends

The loss for the financial year is set out in the income statement on page 12. No dividend was paid or proposed in either year.

Future developments

The company continues the execution of its strategy to restore growth and profitability across all its activities. The framework adopted is built around 5 pillars: Sustain New Equipment Growth, Accelerate Service Portfolio Growth, Deliver Modernisation Value, Advance Digitalisation, Focus and Empower Our Organisation.

The launch of the OTIS GEN 360 product, Otis One and the IOT program give to the company the possibility to offer its customers with innovative solutions that will drive orders and portfolio growth. The company remains focus on reducing its costs base in order to offset global commodity headwinds and pricing pressures.

The company continues to benefit from its partnership with our fellow Otis entities in the Nordic Region, to create a market group known as UKN. This continues to enable the company to share knowledge and skills across a wider group and allow for continued growth, development and process improvements to help restore the company back to profitable levels.

During the coming year, the company will be reorganising the trading activities of its subsidiaries and will be transferring the trade, assets and liabilities of a number of its subsidiaries into one larger trading subsidiary. This follows the strategic plan to strengthen the subsidiary brand and improve market share with a larger second tier business offering.

Going concern

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. 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.

Otis Limited

Directors' report for the year ended 30 November 2022

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.

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 W Sadler
A Lampe (resigned 15 September 2023)
A S Bierer
E C Bryan
P Lennon
C Arango

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 2022

Directors' statement of compliance with duty to promote the success of the Company

The directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 30 November 2022.

In particular, by reference to the approval of our business plan ('our plan') for the period, our plan was designed to have a long-term beneficial impact on the group and to contribute to its success in delivering a best in class service to our customers.

We will continue to operate our business within tight budgetary controls and in line with our targets. Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. Our plan was informed by extensive engagement with customers, enabling us to gain an understanding of their views and priorities, purchasing plans and opportunities.

We also aim to act responsibly and fairly in how we engage with our suppliers; our credit providers; and our regulators; all of whom are integral to the successful delivery of our plan. Our plan took into account the impact of the company's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan.

The intention is to nurture our reputation, through considering and treating all stakeholders fairly and respectfully, ensuring wherever possible business plans and targets are aligned with stakeholder desires and needs.

As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

Otis Limited

Directors' report for the year ended 30 November 2022

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

Directors' confirmations

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

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

Otis Limited

Directors' report for the year ended 30 November 2022

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.

Streamlined Energy and Carbon Reporting

Otis Limited was first required to collect information on its energy usage and carbon emissions in the calendar year January to December 2018 and has done so again most recently for the calendar year January to December 2022 in accordance with the UK Government environmental reporting guidelines, along with the UK Government greenhouse gas conversion factors. The next measurement period will be the calendar year January to December 2023.


	January 2020 to December 2020	January 2021 to December 2021	January 2022 to December 2022
	tCO2e	tCO2e	tCO2e
Direct emissions from owned or leased mobile sources (Scope 1)	2,457	2,500	3,875
Direct emissions from owned or leased stationary sources (Scope 1)	93	82	120
	2,550	2,582	3,995
Emissions from the generation of purchased gas/electricity and/or steam (Scope 2)	274	229	396
Total tCO2e (Scope 1 & 2)	2,824	2,811	4,391
Intensity ratio: Tonnes of CO2e per £m EBITDA	8	0.72	0.69

Using the operational control consolidation approach was determined as the best method for the company, due to the standard business structure and business practices. As a result, the following scope of data was collected. We have nothing to report for Scope 3 emissions.

Looking to do our part for the environment, Otis Limited engaged with Carbon Neutral Britain in July 2021, with the ambition to measure and offset our total organisations emissions - to become a Carbon Neutral Business. During December 2021, Otis Limited offset the total carbon footprint to become certified as a Carbon Neutral Business by Carbon Neutral Britain.

Approval

Approved by the Board and signed on its behalf by:


M Yao
Director
20 October 2023

Registered office
10th Floor Vantage
Great West Road
Brentford
London
TW8 9AG

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 2022 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, including 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 2022; the Income statement, the Statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the reporting framework FRS 101 and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance around known or suspected instances of non-compliance with laws and regulation;
- Challenging assumptions and judgements made by management, in particular assumptions associated with Investment and Goodwill impairment and the revenue recognition for long term contracts;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Testing journals entries including those impacting revenue;
- Testing significant accounting estimates for evidence of management bias;
- Performing unpredictable audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Sarah Phillips

Sarah Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
20 October 2023

Otis Limited

Income statement For the year ended 30 November 2022

	Note	2022 £'000	2021 £'000
Revenue	3	185,832	186,687
Cost of sales		(151,962)	(162,598)
Gross profit		33,870	24,089
Administrative expenses		(31,687)	(33,785)
Net impairment losses on financial and contract assets	3	(396)	(129)
Other operating expense		(1,834)	(1,308)
Other operating income	5	1,691	2,679
Operating profit/(loss)	4	1,644	(8,454)
Impairment in goodwill	11	(54,678)	-
Impairment in subsidiary undertakings	14	(8,111)	(495)
Loss on sale of subsidiary undertaking	14	-	(16,950)
Income from shares in group undertakings	27	1,300	-
Finance income	6	267	40
Finance costs	6	(365)	(4,125)
Loss before taxation		(59,943)	(29,984)
Tax on loss	10	269	47
Loss for the financial year		(59,674)	(29,937)

All results are derived from continuing operations.

The notes on pages 16 to 46 form part of these financial statements.

Otis Limited

**Statement of comprehensive income
For the year ended 30 November 2022**

	2022	2021
	£'000	£'000
Loss for the financial year	(59,674)	(29,937)
Other comprehensive income for the year	-	-
Total other comprehensive income for the year	-	-
Total comprehensive loss for the year	(59,674)	(29,937)

The notes on pages 16 to 46 form part of these financial statements.

Otis Limited
Registered number: 147366

Balance sheet
As at 30 November 2022

	Note	2022 £'000	2021 As restated £'000
Fixed assets			
Intangible assets	11	103,133	157,996
Property, plant and equipment	12	4,606	5,163
Right-of-use assets	13	4,697	4,634
Investments	14	36,384	19,008
Deferred tax asset	19	-	-
		148,820	186,801
Current assets			
Inventories	15	1,918	671
Trade and other receivables	16	106,817	199,082
Cash and cash equivalents		5,327	4,824
		114,062	204,577
Creditors: amounts falling due within one year	17	(115,068)	(104,659)
Net current (liabilities)/assets		(1,006)	99,918
Total assets less current liabilities			
		147,814	286,719
Creditors: amounts falling due after more than one year	18	(3,128)	(82,176)
Provisions for liabilities	20	(2,681)	(2,864)
Deferred tax liability	19	-	-
Net assets		142,005	201,679
Equity			
Called up share capital	21	183,872	183,872
Share premium account		4,198	4,198
Retained earnings		(45,415)	14,389
Merger reserve		(650)	(780)
Total shareholders' funds		142,005	201,679

The notes on pages 16 to 46 form part of these financial statements.

The financial statements on pages 12 to 46 were approved by the board of directors on 20 October 2023 and were signed on its behalf by:


M Yao
Director

Otis Limited

**Statement of changes in equity
For the year ended 30 November 2022**

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total Share- holders' funds £'000
Balance at 01 December 2020	183,872	4,198	(910)	44,456	231,616
Loss for the financial year	-	-	-	(29,937)	(29,937)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(29,937)	(29,937)
Amortisation of merger reserve	-	-	130	(130)	-
Balance at 30 November 2021	183,872	4,198	(780)	14,389	201,679
Loss for the financial year	-	-	-	(59,674)	(59,674)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(59,674)	(59,674)
Amortisation of merger reserve	-	-	130	(130)	-
Balance at 30 November 2022	183,872	4,198	(650)	(45,415)	142,005

The notes on pages 16 to 46 form part of these financial statements.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies

Otis Limited ('the company') principal activities are the installation of lifts and escalators, and the associated maintenance and repair of lift and escalator equipment, throughout the United Kingdom. The company is a private company limited by shares and is incorporated in England and Wales.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 10th Floor Vantage, Great West Road, Brentford, England TW8 9AG.

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.

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 / IFRS 16, 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 2022

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 Otis Worldwide 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, and the requirement to prepare a third balance sheet in the event of the correction of a prior year error

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 investments

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

IAS 38 - the requirement to present roll forward reconciliations in respect of intangible assets

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 Otis Worldwide Corporation. The group financial statements of Otis Worldwide Corporation are available to the public and can be obtained as set out in note 26.

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2022 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 2022

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. 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

Internally generated software

Intangible assets are recognised from internally generated software if specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The internally generated software which has been capitalised are subsequently amortised on a straight-line basis over their useful economic lives, currently 3 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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

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.

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 20 and 50 years
Leasehold buildings	Over the life of the lease
Office equipment, plant and vehicles	Between 3 and 12 years

Assets under construction are amortised when fully used and transferred to appropriate asset category.

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 (2021: £9.2 million) against operating result, and a reduction of £9.2 million (2021: £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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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.

A reversal of an impairment loss (other than in respect to goodwill where a reversal is not recognised) 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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

Taxation (continued)

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

Revenue

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 company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these.

The business derives revenue from a number of streams and therefore uses a variety of methods for revenue recognition.

Rendering of services

On-going service/maintenance contracts

Otis Limited offers its customers differing levels of product maintenance. Each level of product maintenance covers routine monitoring and maintenance as determined by both equipment needs and statutory requirements. The customer does not procure specific maintenance visits; instead these are performed as necessary over the contract period.

Revenue is recognised over time in equal instalments over the period that services are provided to the customer. The customer is billed based on a billing schedule with specified payment terms. Related costs are recognised as costs of sales are incurred. 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.

Repairs

Repairs are either minor enhancements, callbacks or the restoration of an elevator or escalator back to its previous condition. Individual repair jobs are typically small in value and short in duration (i.e. less than three months). Repairs revenue is recognised at the point in time when the repair has been completed and the customer has signed off the work performed, or a supervisor has indicated the repair is complete. The customer is billed the full amount at the point of revenue recognition and pays the billed amount with specified payment terms.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

Revenue (continued)

Related costs are capitalised until revenue is recognised, at which time they will be charged to cost of sales. In cases where a written order or written customer acceptance of the work performed has not been received, revenue is recorded as deferred income and included as part of creditors due within one year unless:

- An underlying maintenance contract (that has not expired) contains enforceable terms and conditions for the repair work that can be referenced as the basis for recognition, in which case they are accounted for under the ongoing service/maintenance contract policy or
- It is not practical to obtain a written order or customer acknowledgment either before and/or after actual work is performed (e.g. urgent repair request by telephone, the customer who has signing authority is not present at the time the work is completed).

Contracts with customers

Construction contracts

Otis Limited enters into long-term construction contracts with customers for the provision of new equipment in new and existing buildings, and modernisation services to existing equipment.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised over time 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 highly 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.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues and costs are reflected in the stage of completion calculation as described above in the period in which the circumstances that give rise to the revision become known by management.

The customer is billed based on a progress billing schedule and pays the billed amount within the agreed payment terms.

In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Contract costs incurred to date plus recognised profits less recognised losses and progress billings are recognised in the balance sheet as either contract assets or contract liabilities. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, a contract asset is recognised. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, including amounts received before the related work is performed, the surplus is recognised as a contract liability and included as part of creditors due within one year.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

Revenue (continued)

Multiple element contracts

Some contracts contain the provision of a manufacturer's warranty for a period of time after the performance obligation is satisfied. Where this is the case, the warranty element is not separated out as a separate performance obligation as the warranty is specific to the services provided under that contract and the customer could not obtain this type warranty from a competitor. At the commencement of the contract, an estimate of the costs to be incurred over the warranty period is included as part of total estimated costs, and is incurred at the start of the warranty period and accrued as part of creditors due within one year until the warranty period expires. Any expenses incurred during the warranty period are treated as a utilisation of the warranty accrual.

Some contracts contain multiple elements, such as the delivery and installation of an elevator and the provision of a maintenance contract. In these contracts these activities are treated as separate performance obligations where appropriate, with the relevant accounting policy for revenue recognition, as noted previously, being applied to each individual performance obligation. Revenue is allocated between the elements on the basis of fair value of each of the elements unless the price for each performance obligation is specifically stated in the contract.

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.

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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

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).

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.

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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

Leases

The company as lessee

The company leases property, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options.

Until the 2019 financial year leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 December 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise value of a purchase option if the company is reasonably likely to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option

The lease payments are discounted using the interest rate implicit in the lease. Where this cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in the profit and loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office equipment.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

The company as a lessor

Assets that have been subleased to other related parties which are held under a finance lease arrangement have been derecognised from right to use assets and instead recognised as a receivable within the Balance Sheet for the net investment in the lease. The company has used the implicit interest rate to measure this net investment in the lease. Lease income from the finance leases where the company is a lessor is recognised in income over the lease term.

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 23.

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.

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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

1. Accounting policies (continued)

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.

Government grants

The company applies IAS 20 "Accounting for Government Grants and Disclosures of Government Assistance" when accounting for government grants. A government grant is not recognised until there is reasonable assurance that the company will comply with the conditions attaching to it, and that the grant will be received. Government grants are recognised in the income statement on a systematic basis over the periods in which the company recognises the expenses the related costs for which the grants are intended to compensate.

Merger reserve

The merger reserve arose on 2016 acquisition of Elevation Lift Services (ELS). This reserve is being amortised on a 10 year basis.

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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

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 £98,616,000 with £54,678,000 impairment loss recognised in 2022 (2021: £nil). Please see note 11 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. This is the company's best estimate for the provision at the balance sheet date when forward-looking.

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 £36,384,000 with £8,111,000 impairment loss recognised in 2022 (2021: £495,000)

3. Revenue

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

	2022 £'000	2021 £'000
Continuing operations all in the UK		
Rendering of services	94,094	97,903
Revenue from contracts with customers	91,738	88,784
	185,832	186,687

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

3. Revenue (continued)

Assets and liabilities related to contracts with customers:

	2022	2021
	£'000	As restated £'000
Current contract assets	27,035	41,100
Loss allowance	(1,400)	(3,962)
Contract assets	25,635	37,138
Contract liabilities	40,131	32,824

Significant changes in contract assets and liabilities:

Contract assets have decreased from the prior year, which reflects a decrease in contract activity and project mix. Contract liabilities have decreased from the prior year due to the timing of contracts being opened during the year where a significant proportion of its total selling price was billed in advance of substantial work being performed.

Revenue recognised in relation to contract liabilities:

During the year ended 30 November 2022 revenue of £23,204,000 (2021: £25,932,000) was recognised relating to carried forward contract liabilities.

Net impairment losses on financial and contract assets

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

	2022	2021
	£'000	£'000
Impairment losses	396	129
Net impairment losses on financial and contract assets	396	129

Of the above impairment losses, £6,700 (2021: £47,000) relates to receivables arising from contracts with customers.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2022	2021
	£'000	£'000
Net foreign exchange (gains)/losses	(711)	1,707
Depreciation of tangible fixed assets:		
- owned	1,157	1,187
Depreciation on right-of-use assets	2,330	2,224
Amortisation of intangible assets (included in administrative expenses)	1,659	1,143
Inventory recognised as expense	504	3,965
Impairment of inventory (included in cost of sales)	107	38
Bad debt expense	396	82
Staff costs (see note 8)	77,530	75,744
Restructuring expenses	1,834	1,308

5. Other operating income

	2022	2021
	£'000	£'000
Government grants received in relation to Coronavirus Job Retention	-	1,048
Management fee to fellow undertakings	1,691	1,631
	1,691	2,679

6. Finance income and finance cost

Finance income

	2022	2021
	£'000	£'000
Bank deposits	263	36
Finance income on lease receivable	4	4
	267	40

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

6. Finance income and finance cost (continued)

Finance cost

	2022 £'000	2021 £'000
Interest on intragroup loans	271	4,030
Interest on leases	94	95
	365	4,125

7. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £254,836 (2021: £185,000).

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

8. Employees

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

	2022 Number	2021 Number
Direct employees	669	704
Sales & administration	551	584
	1,220	1,288

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	68,866	65,970
Social security costs	6,299	6,338
Other pension costs	2,365	3,436
	77,530	75,744

Defined contribution schemes

The total cost charged to income of £2,365,000 (2021: £3,436,000) 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.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

9. Directors' remuneration and transactions

	2022 £'000	2021 £'000
Directors' remuneration		
Emoluments	2,121	1,390
	2,121	1,390

Included within emoluments above is an amount of £50,000 (2021: £33,000) related to contributions to defined contribution pension arrangements.

Three directors exercised parent company share options during the year amounting to £121,188 (2021: one director and one former director exercised parent company share options during the year amounting to £162,762).

Six directors received share option awards under long-term incentive schemes in respect to their qualifying services to the company amounting to £410,215 (2021: Six directors £322,337).

The overall value of non-exercised share options at 30 November 2022 amounted to £825,798 (2021: £624,253).

	2022 £'000	2021 £'000
Remuneration of the highest paid director:		
Emoluments	585	468

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 (2021: £Nil). There is also no accrued lump sum.

Directors' transactions

Details of transactions with directors during the year are disclosed in note 25.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

10. Tax on loss

Tax credit included in profit or loss:

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on losses for the year	-	-
Adjustments in respect of prior years	(269)	-
Total current tax	(269)	-
Deferred tax		
Current year	-	(297)
Adjustments in respect of prior years	-	250
Impact of rate change	-	-
Total deferred tax credit (see note 19)	-	(47)
Total tax on loss	(269)	(47)

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

	2022 £'000	2021 £'000
Loss before taxation	(59,943)	(29,984)
Tax on loss at standard UK corporation tax rate of 19% (2021: 19%)	(11,389)	(5,697)
Effects of:		
Expenses not deductible for tax purposes	12,205	3,651
Re-measurement of deferred tax – changes in UK tax rates	-	-
Adjustments in respect of prior years	(269)	250
Effects of group relief/other reliefs for £nil consideration	-	749
Income not taxable	(247)	-
Deferred tax assets not recognised	(569)	1,000
Total tax credit for the year	(269)	(47)

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

10. Tax on loss (continued)

The Finance Act 2020 legislated that the main rate of UK corporation tax will remain at 19% from 1 April 2020. However, after the third reading of the Finance Bill 2021 on 24 May 2021, it was substantially enacted that the tax rate would be increased to 25% for companies with profit in excess of £250,000 with effect 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 30 November 2022 have been measured at a rate of 25%.

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

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

	2022 £'000	2021 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income/ (expense):		
Origination and reversal of timing differences	-	-
Total income tax charge/(credit) recognised in other comprehensive income/ (expense)	-	-

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

11. Intangible assets

	Internally generated software £'000	Goodwill £'000	Service portfolio £'000	Total £'000
Cost				
At 1 December 2021	3,507	187,235	11,436	202,178
Acquired during the year	1,474	-	-	1,474
At 30 November 2022	4,981	187,235	11,436	203,652
Accumulated amortisation and impairment				
At 1 December 2021	-	33,941	10,241	44,182
Amortisation	464	-	1,195	1,659
Impairment	-	54,678	-	54,678
At 30 November 2022	464	88,619	11,436	100,519
Net book value				
At 30 November 2022	4,517	98,616	-	103,133
At 30 November 2021	3,507	153,294	1,195	157,996

The service client portfolio acquired is now fully amortised. 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 2022. This identified an impairment of £54,678,000 (2021: £nil). 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 10%, a long-term growth rate of 2%, forecasted sales, forecasted gross margins, and forecasted administrative costs.

Forecast sales and gross margins are assumed to increase going forwards. 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 (11% instead of 10%) combined with a 1% decrease in the terminal value for growth used by management (ie. 1% instead of 2%), an additional impairment of £21,719,000 would have had to be recognised against the carrying value of goodwill.

If the overall forecast gross margin used in management's assessment was one percentage point lower in each year of the cash flow period, the company would have had to recognise an additional impairment against the carrying value of goodwill of £19,478,000.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

12. 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 2021	3,987	1,231	8,921	-	14,139
Additions	-	343	257	-	600
At 30 November 2022	3,987	1,574	9,178	-	14,739
Accumulated depreciation					
At 1 December 2021	2,979	572	5,425	-	8,976
Depreciation	143	133	881	-	1,157
At 30 November 2022	3,122	705	6,306	-	10,133
Net book value					
At 30 November 2022	865	869	2,872	-	4,606
At 30 November 2021	1,008	659	3,496	-	5,163

2022
£'000

2021
£'000

The net book amount of land and buildings comprises:

Freehold Land	200	200
Freehold buildings	665	808
Short leasehold property	869	659
	1,734	1,667

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

13. Leases

The company has lease contracts for office premises and motor vehicles used in the operations.

The amounts recognised in the financial statements in relation to leases is as follows:

Amounts recognised in the balance sheet

	30 November 2022 £'000	30 November 2021 £'000
Right-of-use assets		
Buildings	1,377	1,955
Motor Vehicles	3,320	2,679
	4,697	4,634
Lease liabilities		
Current	2,121	1,936
Non-current	3,128	3,155
	5,249	5,091

Additions to the right-of-use assets during the 2022 financial year were £2,393,000 (2021: £2,274,000).

Amounts recognised in the income statement

	2022 £'000	2021 £'000
Depreciation charge of right-of-use assets		
Buildings	(698)	(612)
Motor Vehicles	(1,632)	(1,612)
	(2,330)	(2,224)
Interest expense (included in finance cost)	(94)	(95)
Expenses relating to short-term leases	-	(14)
Future minimum lease payments at 30 November 2022:	2022	2021
	£'000	£'000
Not later than one year	2,174	2,003
Later than one year and not later than five years	3,037	3,497
After five years	-	-
Total gross payments	5,211	5,500
Impact of finance expenses	38	(409)
Carrying amount of liability	5,249	5,091

The total cash outflow for leases during the financial period was £2,324,000 (2021: £2,161,000).

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

13. Leases (continued)

The legal title to all leases is held by Otis Limited.

Extension and termination options

Extension and termination options are included in a number of property leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

No leases entered into by Otis Limited carry any residual value guarantees. There are no leases which have not commenced but where a commitment was in place at the year ended 30 November 2022.

14. Investments

	Shares in subsidiary undertakings £'000	Shares in participating interest £'000	Total £'000
Cost			
At 1 December 2021	35,083	84	35,167
Additions	25,487	-	25,487
Disposals	-	-	-
At 30 November 2022	60,570	84	60,654
Provisions for impairment			
At 1 December 2021	16,075	84	16,159
Impairment in year	8,111	-	8,111
Disposals	-	-	-
At 30 November 2022	24,186	84	24,270
Net book value			
At 30 November 2022	36,384	-	36,384
At 30 November 2021	19,008	-	19,008

On 10 June 2022, Otis Limited acquired 100% of the share capital of Liftec Lifts Limited. 61% from the Founder Shareholders that exercised their put option and 39% from Otis Investments Limited.

In the prior year, the company sold its 100% shareholding in the subsidiary company Otis Elevator Ireland Limited and its subsidiary companies, West of Ireland Lifts Limited and Liffey Lifts Limited. Also prior to the sale, the company recapitalised Otis Elevator Ireland Limited for £17,615,000. This disposal resulted in a loss.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

14. Investments (continued)

Details of the company's subsidiaries at 30 November 2022 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
Elevation Lift Services Limited	Great Britain	Dormant	10 th Floor Vantage, Great West Road, Brentford, TW8 9AG
Axis Holdco Limited	Great Britain	Dormant	Unit 27, Focus 303 Business Centre, Walworth Industrial Estate, Andover, SP10 5NY
Blickglen Lifts Limited	Great Britain	Dormant	10 th Floor Vantage, Great West Road, Brentford, TW8 9AG
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 Limited	Great Britain	Manufacture, installation and service of lifts and escalators	Regus House, Victory Way, Crossways Business Park, Dartford, DA2 6QD
The Express Lift Company Limited	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 Limited	Isle of Man	Manufacture, installation and service of lifts and escalators	10 th Floor Vantage, Great West Road, Brentford, TW8 9AG
Liftec Lifts Limited	Great Britain	Manufacture, installation and service of lifts and escalators	10 th Floor Vantage, Great West Road, Brentford, TW8 9AG

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

On 1 July 2023, the trade, assets and liabilities of Abbey Liftcare Limited, Triangle Lift Services Limited and Axis Elevators Limited were transferred to a fellow subsidiary company Liftec Lifts Limited renamed Liftec Express Limited at fair market value determined by the directors. The carrying value of these investments have been reduced to reflect this fair value, less costs to sell as the value is considered to be consistent with that at 30 November 2022.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

14. Investments (continued)

Participating Interest	Place of incorporation	Principal activity	Equity holding
Al Majid Express Lift Company (Private)	P.O Box 4145, Abu Dhabi, UAE	Service & installation of lifts	33.0%

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

15. Inventories

	2022 £'000	2021 £'000
Finished goods and goods for resale	1,918	671

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 £1,216,227 (2021: £1,109,068)

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

16. Trade and other receivables

	2022	2021
	£'000	As restated £'000
Trade receivables	48,675	45,073
Amounts owed by group undertakings	26,413	110,038
Other receivables	1,855	1,855
Prepayments and accrued income	4,045	4,771
Lease receivable	194	207
Contract assets	25,635	37,138
	106,817	199,082

Included in the amounts owed by group undertakings there is a balance receivable from Otis International Lending of £13,442,928 (2021: £9,571,807) this represents surplus cash deposited with Otis International Lending.

In the prior year, included within amounts owed by group undertakings was a receivable balance from Otis E&M Company Limited £88,248,659 (current year creditor see Note 17). This represented surplus cash pooled with Otis E&M Company Limited.

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 £17,208,102 (2021: £16,893,580).

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

17. Creditors: amounts falling due within one year

	2022	2021
	£'000	As restated £'000
Trade creditors	6,968	7,101
Amounts owed to group undertakings	37,803	10,687
Other taxation and social security	3,238	3,115
Accruals and deferred income	24,807	48,996
Contract liabilities	40,131	32,824
Lease liabilities (note 13)	2,121	1,936
	115,068	104,659

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.

Amounts owed to group undertakings includes a payable to Otis E&M Company Limited – cash pooling facility, of £28,661,399 (2021: Debtor see note 16). Interest of 3.5% is charged on this balance.

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

	2022	2021
	£'000	£'000
Amounts owed to group undertakings	-	79,021
Lease liabilities (note 13)	3,128	3,155
	3,128	82,176

In the prior year, the amounts owed to group undertakings falling due after more than one year represented amounts previously borrowed to fund the UTC UK Pension Scheme (defined benefit scheme). The scheme has now closed and this loan was repaid in full on 16 December 2021.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

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 2021	-	-
Deferred tax asset reversed through equity	-	-
Debited to other comprehensive income	-	-
At 30 November 2022	-	-

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

	Temporary differences trading £'000	Accelerated tax depreciation £'000	Tax losses £'000	Derivatives £'000	Intangibles £'000	Total £'000
At 1 December 2021	(15)	697	(430)	(197)	(55)	-
(Credited)/Charged to profit and loss	4	(28)	(96)	144	(23)	1
Prior year adjustment	7	(1)	(7)	-	-	(1)
At 30 November 2022	(4)	668	(533)	(53)	(78)	-

The deferred tax asset arises on intangible asset timing differences.

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

	2022	2021
	£'000	£'000
Deferred tax assets due within 12 months	-	-
Deferred tax liabilities due within 12 months	-	-
Total provision due within 12 months	-	-
Deferred tax assets due after more than 12 months	-	-
Deferred tax liabilities due after more than 12 months	-	-
Total provision due after more than 12 months	-	-
Total deferred tax liability/(asset)	-	-

As at 30 November 2022 the cumulative deferred tax asset not recognised in relation to carried forward losses was £6,117,000 (2021: £7,600,000).

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

20. Provisions for liabilities

	Public liability provision £'000	Restructuring provision £'000	Total £'000
At 1 December 2021	2,088	776	2,864
Charges to the income statement	-	1,834	1,834
Amounts utilised	(638)	(1,379)	(2,017)
At 30 November 2022	1,450	1,231	2,681

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

	2022 £'000	2021 £'000
Authorised, allotted and fully-paid		
1,225,000 (2021: 1,225,000) ordinary shares of £1 each	1,225	1,225
182,647,000 (2021: 182,647,000) deferred shares of £1 each	182,647	182,647
	183,872	183,872

22. Capital and other commitments

The company had no capital or other commitments in either year.

Otis Limited

Notes to the financial statements For the year ended 30 November 2022

23. Financial instruments

Categories of financial instruments at fair value

	2022 £'000	2021 £'000
Financial (liabilities)/assets at fair value		
Fair value through profit and loss (FVTPL)	(215)	(790)

Changes in value of financial instruments at fair value

Loss for the year has been arrived at after charging/(crediting):

	2022 £'000	2021 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	574	(1,005)

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 2022

24. Contingent liabilities

	2022 £'000	2021 £'000
Performance guarantees	4,297	3,987

25. 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 Otis Worldwide Corporation group.

26. 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.

Otis Worldwide Corporation is the smallest and largest group to consolidate these financial statements. Copies of the Otis Worldwide Corporation group financial statements are publicly available and can be obtained from www.otis.com

27. Dividends

No dividends were declared or paid during either year.

Dividends of £1,300,000 were received from the company's subsidiary, Triangle Lift Services Limited (2021: £Nil).

28. Post balance sheet events

Restructure

On 1 July 2023, the company reorganised the trading activities of its subsidiaries Abbey Liftcare Limited, Axis Elevators Limited and Triangle Lift Services Limited, which resulted in the transfer of the trade, assets and liabilities into one larger trading subsidiary Liftec Lifts Limited renamed Liftec Express Limited. This follows the strategic plan to strengthen the subsidiary brand and improve market share with a larger second tier business offering.

29. Prior year adjustments

During the year, an error was identified relating to incorrect classification of contract balances as at the year ended 30 November 2021. As a result of this error contract liabilities were overstated by £8,526,090. There was no impact on the 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 3, 16 and 17 have been restated to correct this error.