

Otis Investments Limited
Annual report
for the year ended 30 November 2020

Registered number: **00066410**



Otis Investments Limited

Contents

	Page(s)
Strategic report	1
Directors' report	2-5
Independent auditors' report	6-8
Income statement	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12-21

Otis Investments Limited

Strategic report for the year ended 30 November 2020

The directors present their strategic report for the company for the year ended 30 November 2020.

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

Review of business and future activities

The directors are satisfied with the results for the year. The directors expect the company to continue as a holding company for the foreseeable future.

The net assets at 30 November 2020 were £124,339,000 (2019: £109,938,000).

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

Key performance indicators (KPIs)

Given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not appropriate in helping understand the development, performance or position of the business.

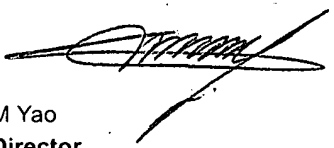
Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks faced by the underlying investments of the company 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:

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


M Yao
Director
9 December 2021

Otis Investments Limited

Directors' report for the year ended 30 November 2020

The directors present their annual report and the audited financial statements of the company for the year ended 30 November 2020.

Principal activities

The principal activity of the company is an investment holding company. The subsidiary companies' activities comprise the manufacture, installation and servicing of lifts and escalators.

Results and dividends

The profit for the financial year is set out in the income statement on page 9.

A dividend of £nil was proposed and paid during the year (2019: £24,000,000).

Future developments

There are no current plans which are expected to have a material impact on either the operations or financial position of the company.

Going concern

Notwithstanding that the company has net current liabilities the directors have prepared the financial statements on a going concern basis as the directors have received a letter of support from the ultimate parent company, Otis Worldwide Corporation, indicating its intention to provide sufficient support to the company to enable it to meet its obligations for a period of at least 12 months from the date of approval of these financial statements.

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

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

Covid-19

A novel strain of coronavirus first surfaced in Wuhan, China in December 2019, and has since spread throughout the rest of the world, particularly in Europe, the Middle East and North America, resulting in widespread travel restrictions, extended shutdown of non-essential businesses, including construction and hospitality venues and in some cases, impacting the Otis Worldwide Corporation Group's ('the Group') factories and our new equipment installations. The impact of the coronavirus on the Group's business still continues to be uncertain, it will be dependent on the developments, availability, efficacy and distribution of various vaccines. However, we currently do not expect any significant impact to the Group's capital and financial resources, including the Group's overall liquidity position based on available cash and cash equivalents and access to credit facilities and capital markets.

At a company level COVID-19 has not impacted the results of the business.

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

Otis Investments Limited

Directors' report for the year ended 30 November 2020

Covid-19 (continued)

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

The duration and impact of the COVID-19 pandemic on the Group's business, as well as the effectiveness of the UK government and central bank responses, still remain unclear at this time. It is therefore not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

Financial risk management

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's operations expose it to financial risks as set out below.

Liquidity risk

The company actively maintains intercompany finance that is designed to ensure the company has sufficient available funds for operations.

Interest rate cash flow risk

The company has interest-bearing liabilities that include intercompany balances. Rates of interest vary according to market conditions prevailing at the time.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

M Yao
R Sadler
R Bisson (resigned 10 February 2020)
A Bierer (appointed 10 February 2020)

Directors' indemnity

The directors have the benefit of an indemnity (provided on a group wide basis via the ultimate parent company) which is a qualifying third-party indemnity provision. The indemnity was in force throughout the last financial year and also at the date of approval of the financial statements.

Directors' report for the year ended 30 November 2020

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.

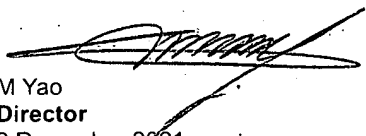
Otis Investments Limited

Directors' report for the year ended 30 November 2020

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



M Yao
Director
9 December 2021

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

**Independent auditors' report to the members of Otis Investments Limited
For the year ended 30 November 2020**

Report on the audit of the financial statements

Opinion

In our opinion, Otis Investments Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report (the "Annual report"), which comprise: the Balance sheet as at 30 November 2020; the Income statement 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

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

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

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

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.

Otis Investments Limited

Independent auditors' report to the members of Otis Investments Limited For the year ended 30 November 2020

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 November 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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.

Otis Investments Limited

Independent auditors' report to the members of Otis Investments Limited For the year ended 30 November 2020

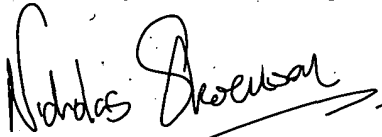
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
09 December 2021

Otis Investments Limited

Income statement

For the year ended 30 November 2020

	Note	2020 £'000	2019 £'000
Administrative expenses		(10)	(36)
Operating loss		(10)	(36)
Income from shares in group undertakings	3	61,899	24,000
Impairment of subsidiary	9	(45,016)	-
Interest payable and similar expenses	4	(2,472)	(1,625)
Profit before taxation		14,401	22,339
Tax on profit	8	-	-
Profit for the financial year		14,401	22,339

All results are derived from continuing operations.

There are no other items of comprehensive income other than the profit for the year (2019: £nil).

The notes on pages 12 to 21 form part of these financial statements.

Otis Investments Limited
Registered number: 00066410

Balance sheet
As at 30 November 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	9	270,485	315,501
Current assets			
Debtors	10	354	54
Creditors: Amounts falling due within one year	11	(146,500)	(205,617)
Net current liabilities		(146,146)	(205,563)
Net assets		124,339	109,938
Equity			
Called up share capital	12	5,517	5,517
Share premium account	13	33,615	33,615
Profit and loss account		85,207	70,806
Total shareholders' funds		124,339	109,938

The notes on pages 12 to 21 form part of these financial statements.

The financial statements on pages 9 to 21 were approved by the board of directors on 9 December 2021 and were signed on its behalf by:


M Yao
Director

Otis Investments Limited

**Statement of changes in equity
For the year ended 30 November 2020**

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total share- holders' funds £'000
Balance as at 1 December 2018	5,517	33,615	72,467	111,599
Profit for the financial year	-	-	22,339	22,339
Dividends paid	-	-	(24,000)	(24,000)
Balance at 30 November 2019	5,517	33,615	70,806	109,938
Profit for the financial year	-	-	14,401	14,401
Balance at 30 November 2020	5,517	33,615	85,207	124,339

The notes on pages 12 to 21 form part of these financial statements.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

1. Accounting policies

The principal activity of the company is that of an investment holding company.

The company is a private limited company, limited by shares, and is incorporated and domiciled in the United Kingdom. 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 company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and the Companies Act 2006.

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

The financial statements contain information about Otis Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, 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

IAS 7 – statement of cash flows

IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more wholly owned members of a group;

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

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

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 14.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

1. Accounting policies (continued)

New standards, amendments and IFRIC interpretations

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. IFRS 16, 'Leases', requires entities to report information that faithfully represents lease transactions and provides a basis for the user of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. There is no impact of IFRS 16 on the company.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2020 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 the director's report.

The strategic report also describes the financial position of the company; the entity is set-up as a holding company and has no trading operations. The company meets its day to day working capital requirements through 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.

The company as an investment holding company has limited transactions, nor has the business of the company been materially adversely impacted by the COVID pandemic. The directors do not expect the company to fund material cash expenditure during the next 12 months and any liabilities that do arise will be funded by the intercompany funding arrangements provided by the Otis Worldwide Corporation.

Given that the company is in a net current liability position, the directors have sought and obtained a letter of support from the ultimate parent company, Otis Worldwide Corporation, which confirm its willingness to provide sufficient financial support to enable the company to meet its liabilities for a period of at least 12 months from the date these financial statements are approved.

Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future as a holding company. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

1. Accounting policies (continued)

Taxation (continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Dividend 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 expense

Interest expense is recognised using the effective interest rate method. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability for interest expense.

Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

1. Accounting policies (continued)

Investments

Except as stated below, fixed asset investments, including investments in fellow group companies, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Investments are reviewed for impairment at each balance sheet date. 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. An impairment loss is recognized immediately in profit or loss.

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, receivable have been grouped based on shared credit risk characteristics and days past due.

Equity instruments

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

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 directors do not consider there to be any critical accounting judgements in preparing the financial statements.

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.

Impairment of investments - Determining whether the company's investment in a fellow group company requires a detailed impairment assessment initially requires a comparison of the carrying value of the investment with the underlying net assets. Where a detailed impairment assessment is required this involves the estimation of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investment and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries, participating interests and trade investments at the balance sheet date was £270,485,000 (2019: £315,501,000) with an impairment loss recognised in 2020 of £45,016,000 (2019: £nil).

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

3. Income from shares in group undertakings

	2020 £'000	2019 £'000
Dividends receivable from group companies	<u>61,899</u>	<u>24,000</u>

4. Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest payable to group companies	<u>2,472</u>	<u>1,625</u>

5. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statements were £6,000 (2019: £1,354).

Fees payable to PricewaterhouseCoopers LLP for non-audit services to the company were £nil (2019: £nil).

6. Employees

The company had no employees during the year (2019: none).

7. Directors' remuneration

In 2020 and 2019, the directors' remuneration has been borne by a fellow group company, Otis Limited. It is not practical to apportion their remuneration for their services as director between the different group companies. Details of their remuneration can be found in the financial statements of Otis Limited.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

8. Tax on profit

Tax expense included in the income statement:

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the year	-	-
Total tax on profit	-	-

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

	2020 £'000	2019 £'000
Profit before taxation	14,401	22,339
Tax on profit at standard UK corporation tax rate of 19% (2019:19%)	2,736	4,244
Effects of:		
Group relief surrendered for nil consideration	472	316
Expenses not deductible for tax	8,553	-
Income not subject to tax	(11,761)	(4,560)
Total tax charge for year	-	-

The Finance Act 2020 legislated that the main rate of UK corporation tax will remain at 19% from 1 April 2020. However, in the UK budget on 3 March 2021, it was announced that the tax rate would be increased to 25% for companies with profit in excess of £250,000 with effect from 1 April 2023. As substantive enactment is after the balance sheet date, the impact of this tax charge has not been reflected in these financial statements and is not expected to be material.

Otis Investments Limited

Notes to the financial statements **For the year ended 30 November 2020**

9. Investments

	Subsidiary undertakings £'000	Participating interests £'000	Trade investments £'000	Total £'000
Cost				
At 1 December 2019	151,750	5,000	158,751	315,501
At 30 November 2020	151,750	5,000	158,751	315,501
Impairment				
At 1 December 2019	-	-	-	-
Impairment in the year	45,016	-	-	45,016
At 30 November 2020	45,016	-	-	45,016
Net book value				
At 30 November 2020	106,734	5,000	158,751	270,485
At 30 November 2019	151,750	5,000	158,751	315,501

Investments are all stated at cost less provision for impairment. The only direct investment of the company is a 52.07% holding in Otis Limited. The nature of the business of Otis Limited, is installation and service of lifts and escalators. The registered address for Otis Limited is 10th Floor Vantage, Great West Road, Brentford, England TW8 9AG. Details of the subsidiaries of Otis Limited at 30 November 2020 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee and are 100%.

Name	Place of incorporation and operation	Nature of business	Registered address
Otis Elevator Ireland Limited	Ireland	Manufacture, installation and service of lifts and escalators	Unit 6, Broomhill Business Park, Broomfield Road Dublin 24
Elevation Lift Services Limited	Great Britain	Dormant	10 th Floor Vantage, Great West Road, Brentford, England, 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, England, 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

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

9. Investments (continued)

Name	Place of incorporation and operation	Nature of business	Registered address
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 Ltd.	Great Britain	Manufacture, installation and service of lifts and escalators	Regus House, Victory Way, Crossways Business Park, Dartford, DA2 6QD
Triangle Lift Services Limited	Great Britain	Manufacture, installation and service of lifts and escalators	8 Windmill Business Park, Windmill Road, Kenn, Clevedon, North Somerset, BS21 6SR
Otis Isle of Man Limited	Isle of Man	Manufacture, installation and service of lifts and escalators	10 th Floor Vantage, Great West Road, Brentford, England, TW8 9AG
*West of Ireland Lifts Limited	Ireland	Manufacture, installation and service of lifts and escalators	Unit 12 GFD, N5 Business Park, Moneen Road, Castlebar, Co. Mayo, Ireland.
*Liffey Lifts and Escalators Limited	Ireland	Manufacture, installation and service of lifts and escalators	13 Upper Baggot Street, Dublin 2, Dublin, D04W7K5, Ireland.

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

Otis Limited also holds a participating interest in Al Majid Express Lift Company (Private), this being a 33% holding in the ordinary share capital. Al Majid Express Lift Company (Private) is incorporate in Dubai. The nature of the business is installation and service of lifts.

An impairment test of the investment in Otis Limited was performed as at 30 November 2020. An impairment of £45,015,667 has been identified. 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 post-tax discount rate of 7.4% and judgements regarding forecasted sales and forecasted gross margins.

The forecasted margins assume a recovery from recent performance of the business which in prior years was adversely impacted by significant increases in estimated costs on a limited number of long-term construction contracts and the impact of Covid-19. Forecasted sales and gross margins are assumed to increase going forwards, becoming stable in 2025. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external and internal sources (prospective and historical data).

If the overall forecasted gross margin used in management's assessment was to remain at forecasted 2021 levels, there would be an impairment of the carrying value of the investment of £58,908,000. Similarly, if the overall forecasted gross margin used in management's assessment was two percentage points lower in each year of the cash flow projection period, the company would have had to recognise an impairment against the investment of £55,667,000.

If the post-tax discount rate applied to the cash flow projections had been 2% higher than management's assessment (i.e. 9.4% instead of 7.4%), the company would have had to recognise an impairment against the investment of £70,721,000.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

9. Investments (continued)

During the year ended 30 November 2019 the company acquired a 39% holding in the ordinary share capital of Liftec Lifts Limited for consideration of £5,000,000. The nature of the business is installation and service of lifts. The registered address for Liftec Lifts Limited is Unit 7, Orbital One, Green Street Green Road, Dartford, DA1 1QG.

Trade investments are the company's 2% holding of the ordinary share capital and 100% of the preference share capital of Sirius (Korea) Limited. The nature of the business is an investment holding company for the Group's 100% interest in Otis LG Elevator Korea Company. The nature of this business is the manufacture and sale of elevator equipment. The registered address of Sirius (Korea) Limited is 10th Floor Vantage, Great West Road, Brentford, England, TW8 9AG.

During the year ended 30 November 2020 the company received dividends of £22,850,000 from Sirius (Korea) Limited (2019: £24,000,000) and £39,049,000 from Otis Limited (2019: £nil).

10. Debtors

	2020 £'000	2019 £'000
Other debtors	300	-
Amounts owed by group undertakings	54	54
	354	54

Amounts owed by group undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

11. Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	146,490	205,612
Accruals and deferred income	10	5
	146,500	205,617

Amounts owed to group undertakings represents an unsecured loan payable to Otis E&M Company Limited, which is interest bearing at 0.6% and has no maturity date.

Otis Investments Limited

Notes to the financial statements For the year ended 30 November 2020

12. Called up share capital

Ordinary shares

	2020	2019
	£'000	£'000
Allotted, called-up and fully-paid		
5,516,621 (2019: 5,516,621) ordinary shares of £1 each	5,517	5,517

13. Share premium account

	£'000
At 30 November 2019 and 30 November 2020	33,615

14. Controlling party

The company's immediate parent undertaking is Otis Elevator Holdings Limited, which is incorporated in the United Kingdom. Copies of the annual report of Otis Elevator Holdings Limited are available from the company secretary, 10th Floor Vantage, Great West Road, Brentford, England, TW8 9AG.

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

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.

15. Post balance sheet event

The Founder Shareholders of Liftec Lifts Limited have exercised their put option, which requires Otis Investments to purchase the remaining stake of Liftec Lifts Limited. The final purchase price is yet to be determined but is likely to be up to £15.2m.