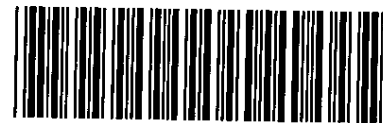


Company Registration No. 12105324 (England and Wales)

ZISHI ADAPTIVE LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

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ZISHI ADAPTIVE LIMITED

COMPANY INFORMATION

Directors	D Langley C Jenkins
Company number	12105324
Registered office	Imperial House 21-25 North Street Bromley Kent BR1 1SD
Accountants	RSM UK Tax and Accounting Limited Chartered Accountants 3rd Floor Portland 25 High Street Crawley West Sussex RH10 1BG

ZISHI ADAPTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of fusing artificial intelligence, machine learning & data science to build bespoke, mission orientated prediction models.

Results and dividends

The results for the year are set out on page 3.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L A Hodgkinson	(Resigned 29 July 2022)
D Langley	
C Jenkins	(Appointed 31 July 2022)

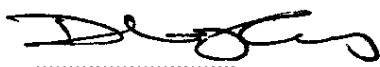
Qualifying third party indemnity provisions

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 reporting date.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



.....
D Langley
Director

Date: 7/9/22

ACCOUNTANT'S REPORT TO THE BOARD OF DIRECTORS OF ZISHI ADAPTIVE LIMITED ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

In order to assist you to fulfil your duties under the Companies Act 2006 and regulations thereunder ("the Acts"), we prepared for your approval the financial statements of Zishi Adaptive Limited, which comprise Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity and the related notes as set out on pages 3 to 14 in accordance with the financial reporting framework set out therein from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

This report is made solely to the Board of Directors of Zishi Adaptive Limited, as a body, in accordance with the terms of our engagement letter dated 5 November 2020. Our work has been undertaken solely to prepare for your approval the financial statements of Zishi Adaptive Limited and state those matters that we have agreed to state to them in accordance with ICAEW Technical Release 07/16 AAF. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights against RSM UK Tax and Accounting Limited for any purpose or in any context. Any party other than the Board of Directors which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Tax and Accounting Limited will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

It is your duty to ensure that Zishi Adaptive Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of Zishi Adaptive Limited under the Acts. You consider that Zishi Adaptive Limited is exempt from the statutory audit requirement for the period.

We have not been instructed to carry out an audit or a review of the financial statements of Zishi Adaptive Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

RSM UK Tax and Accounting Limited

RSM UK TAX AND ACCOUNTING LIMITED

Chartered Accountants
3rd Floor
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 13/09/2022

ZISHI ADAPTIVE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Revenue	3	30,000	150,000
Administrative expenses		(361,226)	(101,488)
Operating (loss)/profit	5	(331,226)	48,512
Tax on (loss)/profit	6	(2,262)	(9,218)
(Loss)/profit and total comprehensive income for the financial year		(333,488)	39,294

ZISHI ADAPTIVE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Non-current assets			
Intangible assets	7	913,650	580,664
Current assets			
Trade and other receivables	8	38,330	16,641
Deferred tax asset	10	82,365	-
Cash and cash equivalents		12,675	141,827
		133,370	158,468
Current liabilities			
Trade and other payables	9	1,213,013	693,531
Taxation and social security		-	6,306
		1,213,013	699,837
Net current liabilities		(1,079,643)	(541,369)
Total assets less current liabilities		(165,993)	39,295
Provisions for liabilities			
Deferred tax liabilities	10	128,200	-
Net (liabilities)/assets		(294,193)	39,295
Equity			
Called up share capital	11	1	1
Retained earnings		(294,194)	39,294
Total equity		(294,193)	39,295

For the period ended 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies and the members have not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476.

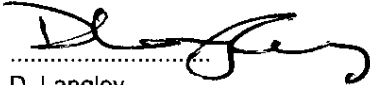
The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

ZISHI ADAPTIVE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 7/9/22 and are signed on its behalf by:



D Langley
Director

ZISHI ADAPTIVE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Retained earnings £	Total £
Balance at 16 July 2019		-	-	-
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	39,294	39,294
Issue of share capital	11	1	-	1
Balance at 31 December 2020		1	39,294	39,295
Year ended 31 December 2021:				
Loss and total comprehensive income for the year		-	(333,488)	(333,488)
Balance at 31 December 2021		1	(294,194)	(294,193)

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Zishi Adaptive Limited is a private company limited by shares incorporated in England and Wales. The registered office is Imperial House, 21-25 North Street, Bromley, Kent, BR1 1SD.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

Reduced Disclosures

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS and, where relevant, equivalent disclosures have been made in the consolidated financial statements of the parent company:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a Statement of Cash Flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- related party disclosures in respect of two or more wholly owned members of the group;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the Statement of Comprehensive Income;
- comparative period reconciliations for the number of shares outstanding;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Disaggregated and total revenue from contracts with customers;
- Explanation of significant changes in contract assets and liabilities;
- Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
- Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
- Significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
- Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract;

The financial statements of the Company are consolidated within the financial statements of OSTC Group Holdings Limited where equivalent disclosures are provided. The financial statements are publicly available from Companies House and can be obtained from the registered office of the company at 2nd Floor, Imperial House, 21-25 North Street, Bromley, Kent, BR1 1SD.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 months from the date of approval of these financial statements, given the support available to the company from its ultimate parent, OSTC Group Holdings Limited.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Revenue

Revenue generated from the provision of software licenses is recognized over the period the services are provided as the contract arrangements represent 'right to access' licenses, whereby the software includes the ongoing provision of upgrades or end user updates.

Revenue arising from software support services is recognised over the period the services are provided.

Fees for support services are bundled with the corresponding license fee and the transaction price is allocated to each performance obligation based on estimated relative standalone selling price.

Intangible assets other than goodwill

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- it is technically feasible to complete the software product so that it will be available for use; management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is 3 years.

Impairment of tangible and intangible assets

At each reporting end 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Current tax

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. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. In the opinion of the directors, there are no sources of estimation uncertainty or critical judgements impacting amounts recognised in these financial statements.

3 Revenue

	2021	2020
	£	£
Revenue analysed by class of business		
Software licensing and support fees	30,000	150,000

The company has a single reportable segment relating to license fees for use of software all attributable to the United Kingdom.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Total	2	2

The Directors, who are the only employees, are remunerated in another group entity and no recharge is made to the company.

5 Operating (loss)/profit

	2021 £	2020 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Amortisation of intangible assets	162,073	-

6 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	-	9,218
Adjustments in respect of prior periods	(43,573)	-
Total UK current tax	(43,573)	9,218
Deferred tax		
Origination and reversal of temporary differences	45,835	-
Total tax charge	2,262	9,218

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
(Loss)/profit before taxation	(331,226)	48,512
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2020: 19.00%)	(62,933)	9,217
Effect of expenses not deductible in determining taxable profit	336	-
Adjustment in respect of prior years	(43,573)	-
Group relief	-	(2,912)
Difference in deferred tax rate	11,000	-
Prior period losses recognised in deferred tax	97,432	-
Payment of group relief	-	2,913
Taxation charge for the year	2,262	9,218

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date, deferred tax assets and liabilities are recognised at a rate of 25% in the current year.

7 Intangible fixed assets

	Development costs £
Cost	
At 31 December 2020	580,664
Additions - internally generated	495,059
At 31 December 2021	1,075,723
Amortisation and impairment	
Charge for the year	162,073
At 31 December 2021	162,073
Carrying amount	
At 31 December 2021	913,650
At 31 December 2020	580,664

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Trade and other receivables

	2021 £	2020 £
Trade receivables	30,000	-
VAT recoverable	8,330	16,640
Amounts owed by fellow group undertakings	-	1
	<u>38,330</u>	<u>16,641</u>

The directors consider that the carrying value of trade and other receivables approximates their fair value as the impact of discounting is not significant.

The Company calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if the Company determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

9 Trade and other payables

	2021 £	2020 £
Trade payables	3,390	30,990
Amounts owed to fellow group undertakings	1,209,623	656,908
Accruals and deferred income	-	5,633
	<u>1,213,013</u>	<u>693,531</u>

10 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £	Tax losses £	Total £
Deferred tax liability at 1 January 2020 and 1 January 2021	-	-	-
Deferred tax movements in current year			
Credit to profit or loss	128,200	(82,365)	45,835
Deferred tax liability at 31 December 2021	128,200	-	128,200
Deferred tax asset at 31 December 2021	-	(82,365)	(82,365)

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

10 Deferred taxation (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 £	2020 £
Deferred tax liabilities	128,200	-
Deferred tax assets	(82,365)	-
	<u>45,835</u>	<u>-</u>

11 Share capital

	2021 £	2020 £
Ordinary share capital		
100 Unpaid Ordinary shares of 1p each	1	1
	<u>1</u>	<u>1</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

12 Reserves

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

13 Related party transactions

Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Costs recharged 2021 £	2020 £
Other related parties	<u>194,751</u>	<u>89,487</u>

The following amounts were outstanding at the reporting end date:

	2021 £	2020 £
Amounts due to related parties		
Other related parties	<u>142,014</u>	<u>656,908</u>

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Controlling party

The immediate parent company and smallest group consolidating the results of the company is Zishi Group Limited a company registered in England and Wales.

The ultimate parent company and largest group consolidating the results of this company is OSTC Group Holdings Ltd. Accounts for OSTC Group Holdings Ltd are publicly available from Companies House and can be obtained from the registered office of the company at 2nd Floor, Imperial House, 21-25 North Street, Bromley, Kent, BR1 1SD.

In the opinion of the directors, there is no single ultimate controlling party.