

ZISHI ADAPTIVE LIMITED
REPORT AND UNAUDITED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2020

MONDAY



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ZISHI ADAPTIVE LIMITED

COMPANY INFORMATION

Directors	L Hodgkinson D Langley
Company number	12105324
Registered office	Imperial House 21-25 North Street Bromley Kent BR1 1SD

ZISHI ADAPTIVE LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the period ended 31 December 2020.

Principal activities

The principal activity of the company is to fuse Artificial Intelligence, machine learning & data science to build bespoke, mission orientated prediction models.

Directors

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

L Hodgkinson (appointed 16 July 2019)

D Langley (appointed 16 July 2019)

Results and dividends

The profit for the financial period was £39,294.

The directors do not recommend the payment of a dividend for the period ended 31 December 2020.

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: 12 April 2021

ZISHI ADAPTIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2020

		Period ended 31 December 2020 £
	Notes	
Revenue	4	150,000
Cost of sales		-
Gross profit		150,000
Administrative expenses		(12,001)
Other operating expenses		(89,487)
Profit before taxation		48,512
Taxation	7	(9,218)
Profit for the financial period		39,294

The above results were derived from continuing operations.
The notes on pages 5 to 14 are an integral part of these financial statements.

ZISHI ADAPTIVE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	£	2020 £
ASSETS			
Non-current assets			
Intangible assets	8		580,664
LIABILITIES			
Current assets			
Trade and other receivables	9	16,641	
Cash and cash equivalents		141,827	
		158,468	
Current liabilities			
Trade and other payables	10	(699,837)	
Net current liabilities			(541,369)
Net assets			39,295
EQUITY			
Capital and reserves			
Called up share capital	11		1
Profit and loss reserves	12		39,294
			39,295

For the financial period ended 31 December 2020 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 responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The notes on pages 5 to 14 are an integral part of these financial statements.

The financial statements on pages 2 to 14 are approved by the Board of Directors and authorised for issue on 12th April 2021 and are signed on its behalf by:

Danny Langley
D Langley
Director

ZISHI ADAPTIVE LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 31 DECEMBER 2020**

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 16 July 2019		-	-	-
Period ended 31 December 2020:				
Share capital issue		1	-	1
Profit and total comprehensive income for the period		-	39,294	39,294
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2020		1	39,294	39,295
		<hr/>	<hr/>	<hr/>

Total equity is attributable to the owners of the parent.

The notes on pages 5 to 14 are an integral part of these financial statements

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

1 General information

ZISHI Adaptive Limited ("the company") 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.

The principal accounting policies applied in the preparation of these financial statements are set out below. They have, unless otherwise stated, been applied consistently to all periods presented.

2 Accounting policies

Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities at fair value through profit or loss, and in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

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 £.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Accounting policies (Continued)

Reduced disclosures

In accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied in the preparation of the company financial statements and, where relevant, equivalent disclosures have been made in the consolidated financial statements of the parent company:

- Presentation of a Company Cash Flow Statement and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of company key management compensation;
- A reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- Disclosure of the effect of financial instruments on the Statement of Comprehensive Income;
- Comparative period reconciliations for share capital and investments;
- For financial instruments measured at fair value, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value;
- 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;
- Related party disclosures in respect of two or more wholly owned members of the group;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date; and
- Presentation of a third statement of financial position for retrospective adjustments, reclassifications at the date of transition to IFRS.

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 2nd Floor, Imperial House, 21-25 North Street, Bromley, Kent, BR1 1SD.

Consolidation

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

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. In making their assessment, the directors have had due regard as to the impact of the ongoing Covid-19 pandemic, and its impact on the company and wider OSTC Group.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Accounting policies (Continued)

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All other foreign exchange gains and losses are taken to profit or loss within 'administrative expenses'.

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

The company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following criteria are met:

- 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 initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Impairment of fixed assets

At each reporting date, the company reviews the carrying amounts of its fixed assets (property, plant and equipment, right-of-use assets, and intangible assets other than goodwill) to determine whether there is any indication that they are impaired. 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 the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense within profit or loss immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been previously recognised for that asset. A reversal of an impairment loss is recognised as a gain within profit or loss immediately, 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.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Accounting policies (Continued)

Financial instruments

Financial assets are recognised when the company becomes party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the company with maturities of less than three months.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment of other receivables measured at amortised cost

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the company compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost. The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

ZISHI ADAPTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2020

2 Accounting policies (Continued)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial liabilities and equity

Financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings using the effective interest rate method.

Equity

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 are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off').

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

ZISHI ADAPTIVE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 DECEMBER 2020**

2 Accounting policies (Continued)**Income tax**

The income tax expense represents the sum of the tax currently payable and deferred 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 balance sheet date.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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. 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 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.

ZISHI ADAPTIVE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 DECEMBER 2020****3 Critical accounting judgements and key sources of estimation uncertainty**

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.

4 Revenue

2020
£

Revenue

Revenue from contracts with customers	<u>150,000</u>
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The company has a single reportable segment relating to license fees for use of software. Revenue recognised from contracts with customers for that reportable segment is disaggregated into relevant categories as follows:

2020
£

Revenue analysed by class of business

Derived from the company's principal activity	<u>150,000</u>
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2020
£

Revenue analysed by geographical market

United Kingdom	<u>150,000</u>
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5 Other operating expenses

Other operating expenses comprise payroll recharges with OSTC Group companies.

6 Employees

The average monthly number of persons employed by the company during the period was:

2020
Number

Total	<u>2</u>
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The Directors, who are the only employees, are remunerated in another group entity for their services and no recharge is made to the company.

ZISHI ADAPTIVE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 DECEMBER 2020****7 Taxation**

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

	2020
	£
Profit before taxation	48,512
	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00%	9,218
Group relief (claimed)	(2,912)
Payment for group relief	2,912
	<u> </u>
Tax charge for the period	9,218
	<u> </u>

8 Intangible assets

	Development costs	Total
	£	£
Cost		
16 April 2019	-	-
Additions	580,664	580,664
	<u> </u>	<u> </u>
31 December 2020	580,664	580,664
Amortisation		
16 April 2019	-	-
Amortisation charged in the period	-	-
	<u> </u>	<u> </u>
31 December 2020	-	-
	<u> </u>	<u> </u>
Carrying amount		
31 December 2020	580,664	580,664
	<u> </u>	<u> </u>

No amortisation was charged in the period as the assets were not yet in use.

ZISHI ADAPTIVE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 DECEMBER 2020****9 Trade and other receivables**

	2020
Current:	£
VAT recoverable	16,640
Amounts due from fellow group undertakings	1
	<u>16,641</u>

10 Trade and other payables

	2020
	£
Trade payables	30,990
Amounts due to group undertakings	656,908
Accruals and deferred income	5,633
Corporation tax payable	6,306
	<u>699,837</u>

11 Share capital

	2020
	£
Ordinary share capital	
Issued and unpaid	
100 Ordinary shares of £0.01 each	1
	<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 distributions to owners.

ZISHI ADAPTIVE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 DECEMBER 2020****13 Related party transactions****Transactions with related parties**

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

Costs recharged by related parties	2020
	£
Other related parties	656,908

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties	2020
	£
Other related parties	656,908
	<u>656,908</u>

Amounts owed by related parties	2020
	£
Entities with control, joint control or significant influence over the company	1
	<u>1</u>

No guarantees have been given or received.

14 Controlling party

The controlling party and immediate parent company is ZISHI Group Limited, a company registered in England and Wales. The ultimate parent company and the largest group consolidating the results of this company is OSTC Group Holdings Limited. Accounts for OSTC Group Holdings Limited can be obtained from the registered office of the company at Imperial House, 21-25 North Street, Bromley, Kent, BR1 1SD. In the opinion of the directors, there is no single ultimate controlling party.