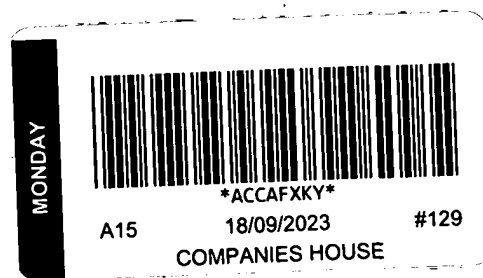


Registration number: 13867420

Konux UK Limited

Annual Report and Financial Statements

for the Period from 24 January 2022 to 31 December 2022



Folkes Worton LLP
15-17 Church Street
Stourbridge
West Midlands
DY8 1LU

Konux UK Limited

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Konux UK Limited

Company Information

Director	T Flower
Registered office	C/O Rodl & Partner Legal Ltd 170 Edmund Street Ground Floor Birmingham B3 2HB
Accountants	Rödl & Partner Limited 170 Edmund Street Birmingham B3 2HB
Auditors	Folkes Worton LLP 15-17 Church Street Stourbridge West Midlands DY8 1LU

Konux UK Limited

Director's Report for the Period from 24 January 2022 to 31 December 2022

The director presents the report and the financial statements for the period from 24 January 2022 to 31 December 2022.

Incorporation

The company was incorporated on 24 January 2022.

Director of the company

The director who held office during the period was as follows:

T Flower (appointed 24 January 2022)

Principal activity

The principal activity of the company is to provide and render technical support and services to the customers of its German AI scale-up parent company related to predictive maintenance, network usage and traffic monitoring and planning solutions for railway infrastructure management mainly in the UK market.

Going concern

The financial statements have been prepared on the basis of a going concern, which is dependent on future successful capital extensions offered to investor as described in Note 2 to the financial statements.

Disclosure of information to the auditors

The director has taken steps that ought to have taken as a director in order to make aware of any relevant audit information and to establish that the company's auditors are aware of that information. The director confirms that there is no relevant information that of and of which the auditors are unaware.

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the director on ~~15th September 2023~~



.....
T Flower
Director

Konux UK Limited

Statement of Director's Responsibilities

The responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless 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 these financial statements, the director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 to ensure that the financial statements comply with the Companies Act 2006 and in accordance with FRS 102 Section 1A, The Financial Reporting Standard applicable in the UK and Republic of Ireland. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

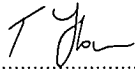
Konux UK Limited

(Registration number: 13867420)
Balance Sheet as at 31 December 2022

	Note	2022 £
Current assets		
Debtors	4	20,481
Cash at bank and in hand		<u>56,394</u>
		76,875
Creditors: Amounts falling due within one year	5	<u>(48,654)</u>
Net assets		<u>28,221</u>
Capital and reserves		
Called up share capital	6	100
Retained earnings		<u>28,121</u>
Shareholders' funds		<u>28,221</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the director on ..15th September 2023



.....
T Flower
Director

Konux UK Limited

Notes to the Financial Statements for the Period from 24 January 2022 to 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

C/O Rodl & Partner Legal Ltd

170 Edmund Street

Ground Floor

Birmingham

B3 2HB

United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the period, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A smaller entities - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and the Companies Act 2006 (as applicable to companies subject to the small companies' regime).

Basis of preparation

These financial statements have been prepared using the historical cost convention.

The presentation currency of these financial statements is Sterling. All amounts have been rounded to the nearest £1.

Going Concern

The accompanying financial statements have been prepared with the assumption that the Company will continue to operate as a going concern. This assumption encompasses the realisation of assets, the fulfillment of liabilities, and the discharge of commitments in the ordinary course of business over the twelve-month period following the issuance date of these consolidated financial statements.

The Company has reported a profit of GBP 28,121 since its incorporation, for the period ending December 31, 2022. It is essential to note that this profit is exclusively derived from intercompany transactions. As such, a comprehensive evaluation of the financial status and prospects of the entire KONUX group is imperative.

Konux UK Limited

Notes to the Financial Statements for the Period from 24 January 2022 to 31 December 2022

According to the current liquidity forecast, the group's cash outflows are anticipated to persistently exceed cash flows from operating activities. Consequently, the available funds are expected to be depleted by March 2024, necessitating a new financing round. Management has already commenced fundraising activities, aiming to conclude a new round by the end of 2023, with the participation of both current and new investors. The intended funding amount is deemed sufficient to sustain the Company's operations until it achieves profitability and generates positive cash flow. It should be acknowledged that there exists a substantial uncertainty linked to events or conditions that could potentially cast substantial doubt on the Company's ability to continue as a going concern. These financial statements have not been adjusted to account for any contingencies that may arise if the Company fails to maintain its going concern status.

To alleviate these concerns, management has highlighted the recent interest in the Series-C extension, where the company experienced positive cash flows from financing activities amounting to \$17.3 million. This development serves as evidence of continued support from both existing and new investors.

Furthermore, it is noteworthy that the Company has recently secured its largest order from our esteemed client, Deutsche Bahn in Germany. Deutsche Bahn has requested the installation of our solutions in 3,500 assets out of their total inventory of 8,000 assets on their high-frequency line.

In line with Management's assessment, this order not only attests to the practical functionality of the company's products but also indicates a probable expansion of the previously successful product rollout, slated for completion by mid-2024. This expansion will encompass the deployment of the company's solutions on all 8,000 critical switches within the high-frequency line. Furthermore, the company has experienced substantial growth in its UK operations, where more than 500 switches have already been equipped with their solution, and in Spain, where a successful pilot program is currently underway.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Konux UK Limited

Notes to the Financial Statements for the Period from 24 January 2022 to 31 December 2022

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors 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 the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Transfer Pricing

The UK's transfer pricing rules are set out in Part 4 TIOPA 2010 (prior to April 2010 in s770A and Schedule 28AA of the Income and Corporation Taxes Act 1988). These came into effect for accounting periods ending after 30 June 1999. UK legislation refers to the OECD Guidelines and the arm's length principle they set out. Transfer pricing is part of UK corporation tax self-assessment. This means that submitted corporate tax returns must comply with the arm's length principle.

Transfer pricing has been applied on an estimate basis at the actual full costs plus a mark up of 8%, as the inter company transfer pricing agreement is not yet finalised.

3 Staff numbers

The average number of persons employed by the company (including the director) during the period, was 4.

Konux UK Limited

Notes to the Financial Statements for the Period from 24 January 2022 to 31 December 2022

4 Debtors

	2022 £
Other debtors	9,522
Prepayments	10,959
	<u>20,481</u>

5 Creditors

	2022 £
Due within one year	
Amounts owed to group undertakings	13,172
Taxation and social security	26,990
Accruals and deferred income	8,492
	<u>48,654</u>

6 Share capital

Allotted, called up and fully paid shares

	2022 No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

7 Parent and ultimate parent undertaking

The company's immediate parent is Konux GmbH, incorporated in Germany.

The ultimate parent is Konux Inc., incorporated in USA.

These financial statements are available upon request from Delaware, USA.

The parent of the largest group in which these financial statements are consolidated is Konux Inc., incorporated in USA.

The address of Konux Inc. is:
Delaware, USA.

Konux UK Limited

Notes to the Financial Statements for the Period from 24 January 2022 to 31 December 2022

8 Auditor's information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006.

The auditor's report was unqualified.

The Senior Statutory Auditor was John Hegney.

The auditor was Folkes Worton LLP.