Kleos Space S.A.
Appendix 4E
Preliminary final report

KLEOS

1. Company details

Name of entity:	Kleos Space S.A.
ARBN:	625 668 733
RCS:	B215591
Reporting period:	For the year ended 31 December 2020
Previous period:	For the year ended 31 December 2019

2. Results for announcement to the market

				€
Revenues from ordinary activities	down	71%	to	176,220
Loss from ordinary activities after tax attributable to the owners of Kleos Space S.A.	up	39%	to	(4,868,238)
Loss for the year attributable to the owners of Kleos Space S.A.	up	39%	to	(4,868,238)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to €4,868,238 (31 December 2019: €3,503,298).

The loss for the Company after providing for income tax amounted to €5,697,558 (31 December 2019: €2,849,375).

Further information on the 'Review of operations' is detailed in the Directors' report which is part of this Report.

3. Net tangible assets

	31 Dec 2020 Cents	31 Dec 2019 Cents
Net tangible assets per CHESS Depository Interests ('CDI')	7.43	2.81

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Kleos Space S.A. is incorporated in Luxembourg. The accounting standards used are International Financial Reporting Standards as adopted in the European Union.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements of the Company and the Group for the year ended 31 December 2020 were subject to an audit and the audit report is attached. The audit report contains a paragraph emphasising a material uncertainty related to going concern.

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11. Attachments

Details of attachments (if any):

The Directors' report, financial statements and the report of the réviseur d'entreprises agréé of Kleos Space S.A. for the year ended 31 December 2020 are attached.

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12. Signed

Authorised by the Board of Directors.

Signed ______________________ Date: 26 February 2021

Andy Bowyer
Director
Luxembourg

Kleos Space S.A.

ARBN 625 668 733 / RCS B215591

Directors' Report, Responsibility Statement, Financial Statements as at and for the year ended 31 December 2020 and the Report of the Réviseur d'Entreprises Agréé

Principal place of business:
26, rue des Gaulois
L-1618 Luxembourg
Luxembourg

Registered office:
Boardroom Pty Ltd
Level 12, 225 George Street
Sydney
NSW 2000
Australia

Capital:
CHESS Depository Interests – Number of CDIs on issue at reporting date (26 February 2021) 160,203,436

Directors	Peter Round (Chairman and Executive Chairman) Andrew Bowyer (Chief Executive Officer and Managing Director) Miles Ashcroft (Chief Technical Officer and Executive Director) David Christie (Non-Executive Director)
Company secretary	Vanessa Chidrawi
Australian postal address	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia
Australian registered office	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia
Principal place of business	26, rue des Gaulois L-1618 Luxembourg Luxembourg
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 Australia
Auditor	Ernst & Young S.A. 35E avenue John F. Kennedy L-1855 Luxembourg Luxembourg
Stock exchange listing	Kleos Space S.A. CDIs are listed on the Australian Securities Exchange (ASX code: KSS) and on the Frankfurt Stock Exchange (FRA code: KS1)
Website	www.kleos.space
Business objectives	The Company has used cash and cash equivalents held at the time of listing in a way that is consistent with its stated business objectives.
Corporate Governance Statement	The directors and management are committed to conducting the business of Kleos Space S.A. in an ethical manner and in accordance with the highest standards of corporate governance. Kleos Space S.A. has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and can be found at: https://kleos.space/investors/.

The directors present their report, together with the financial statements, on Kleos Space S.A. (referred to as the 'Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Kleos Space S.A. and the entities it controlled (referred to hereafter as the 'Group') at the end of, or during, the year ended 31 December 2020.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Round
Andrew Bowyer
Miles Ashcroft
David Christie

Principal activities

The principal activity of the Group during the financial year was to undertake the development of the Space enabled, activity-based intelligence, data-as-a-service products. The Group aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation-as-a-service. The first Kleos Space satellite system, known as Kleos Scouting Mission ('KSM'), was launched into orbit in November 2020 and will deliver commercially available data and perform as a technology demonstration once it is fully operational in early 2021. KSM will be the keystone for a later global high capacity constellation. KSM will deliver targeted daily services with the full constellation delivering near-real-time global observation.

The Group's research and development personnel are involved in the development of Radio Frequency ('RF') geolocation techniques, RF signal analysis techniques, data science techniques including machine learning, satellite technologies, and data processing methodologies in order to provide a RF Geolocation Data-as-a-Service series of products to information users in the defence and security Intelligence Surveillance and Reconnaissance market and as well to perform the necessary tests on the equipment for launching their own Low Earth Orbit ('LEO') nano-satellite Earth Observation.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Group after providing for income tax amounted to €4,868,238 (31 December 2019: €3,503,298).

The loss for the Company after providing for income tax amounted to €5,697,558 (31 December 2019: €2,849,375).

Significant changes in the state of affairs

On 18 February 2020, the Company entered into a loan agreement of €3,410,000 (A$5,500,000) with a Dubai-based Family Office, Winance Investment LLC ('Winance'). Proceeds of €1,857,353 (A$3,025,000) were used to retire the existing loans outstanding.

On 20 February 2020, the Company issued 6,319,125 warrants to Winance with an exercise price of A$0.38 which can be exercised anytime over a three year term on satisfying the conditions of the loan agreement.

On 20 May 2020, the Company received a short-term funding facility of €146,457 from the Luxembourg Ministry of the Economy under a Coronavirus support scheme. Repayment terms will be negotiated in 2021.

On 30 June 2020, 6,000,000 performance rights were approved by shareholders for employees.

On 6 July 2020, the Company issued a further 2,285,381 warrants to Winance with an exercise price of A$0.38 which can be exercised anytime over a three year term on satisfying the conditions of the loan agreement.

On 17 July 2020, the Company issued the following:
- 10,000,001 fully paid ordinary CDIs at A$0.30 for a total of A$3,000,000 (€1,847,404);
- 300,000 fully paid ordinary CDIs in respect of consultancy arrangements;
- 9,000,000 fully paid restricted ordinary CDIs upon the conversion of vested restricted performance rights;
- 5,000,000 options with an exercise price of A$0.50 expiring 3 years from the grant date;
- 540,000 options issued under the Company's long-term incentive plan, with an exercise price of A$0.20 expiring 10 years from the grant date on the following terms:
  (i) 65% to vest one year from the grant date; and
  (ii) 35% to vest two years from the grant date.

On 24 August 2020, 9,500,000 performance rights granted to employees lapsed as vesting conditions were not met.

On 30 September 2020, 5,000,000 performance rights granted to employees lapsed as vesting conditions were not met.

On 30 October 2020, 3,000,000 warrants to Winance were exercised at A$0.38 for a total of A$1,140,000 (€694,527).

On 7 November, 4 KSM satellites were launched into orbit by ISRO.

On 17 November 2020, the Company issued the following:
- 10,585,878 fully paid ordinary CDIs at A$0.72 for a total of A$7,621,832 (€4,703,521); and
- 907,046 fully paid CDI's were issued to ISISpace [(supplier for building Cluster 2)] as settlement of €246,100.

On 7 December 2020, the Company issued 12,891,930 fully paid ordinary CDIs at A$0.72 for a total of A$9,282,190 (€5,681,176).

On 9 December 2020, the Company issued 2,911,081 fully paid ordinary CDIs at A$0.72 for a total of A$2,095,978 (€1,282,846).

On 14 December 2020, the Company opened a US Engineering Office in Denver Colorado.

On 31 December 2020, 1,000,000 performance rights granted to employees lapsed as vesting conditions were not met.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
Subsequent to the reporting date:

1) The Winance facility was repaid on 18 February 2021.

2) 30,000 options were exercised on 28 January 2021 for A$9,000.

3) 50,000 options were exercised on 16 February 2021 for A$15,000.

4) 550,000 options were exercised 18 February 2021 for A$165,000.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
KSM satellites are expected to become operational in the first half of 2021 and the company will begin to generate commercial revenues shortly thereafter.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law, Luxembourg law or any law or regulation applicable to the European Union.

The Group has obtained a licence with specific assignments for the use of frequencies or radio channels for both transmission, and reception pursuant to the law of 30 May 2005 on the organisation and management of radio frequency spectrum. The frequency assignments are recorded by the Luxembourg Institute of Regulators, Institut Luxembourgeois de Régulation ('ILR') in a public file called "register of frequencies". The Group has obtained from the ILR a licence for the use of electronic communications networks/services. From an international regulatory perspective, the Group has registered with the International Telecommunication Union ('ITU').

CDIs under option

Unissued CDIs of the Company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price A$	Number under option
24/08/2018	17/08/2021	0.300	2,220,000
06/09/2019	06/09/2022	0.400	950,000
19/12/2019	19/12/2022	0.400	475,000
17/07/2020	17/07/2023	0.500	5,000,000
17/07/2020	17/07/2030	0.200	490,000
			9,135,000

CDIs under performance rights

There were no unissued ordinary CDIs of Kleos Space S.A. under performance rights outstanding at the date of this report.

CDIs under warrants

Unissued CDIs of the Company under warrants at the date of this report are as follows:

Grant date	Expiry date	Exercise price A$	Number under warrants
20/02/2020*	20/02/2023	0.3800	3,319,125
06/07/2020*	06/07/2023	0.3800	2,285,381
			5,604,506

* Warrants issued to Winance on satisfying the conditions of the loan agreement as announced to ASX on 20 February 2020.

CDIs issued on the exercise of options

The following ordinary CDIs of Kleos Space S.A. were issued during the year ended 31 December 2020 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price A$	Exercise price €	Number of CDIs issued
24/08/2018	0.3000	€0.1805	650,000
24/08/2018	0.3000	€0.1900	30,000
24/08/2018	0.3000	€0.1917	50,000
24/08/2018	0.3000	€0.1927	550,000
24/08/2018	0.3000	€0.1828	500,000
16/09/2019	0.4000	€0.2407	400,000
16/09/2019	0.4000	€0.2407	590,000
16/09/2019	0.4000	€0.2437	710,000
19/12/2019	0.4000	€0.2407	250,000
19/12/2019	0.4000	€0.2407	50,000
19/12/2019	0.4000	€0.2437	200,000
			3,980,000

CDIs issued on the exercise of performance rights
The following ordinary CDIs of Kleos Space S.A. were issued during the year ended 31 December 2020 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of CDIs issued
29/05/2018	€0.0000	9,000,000

CDIs issued on the exercise of warrants
The following ordinary CDIs of Kleos Space S.A. were issued during the year ended 31 December 2020 and up to the date of this report on the exercise of warrants granted:

Date warrants granted	Exercise price A$	Exercise price €	Number of CDIs issued
20/02/2020	0.3800	€0.2315	3,000,000

Acquisition by the Company of its own stock and shares
In the financial year the Company has not acquired any of its own shares.

Branches
The Company has no branches at the end of the financial year.

Research and development activities
The Company made investments in research and development in the financial year of €496,357 (2019: €196,362) recorded under the heading Research and development expenses in the Statement of profit or loss and other comprehensive income.

Allocation of loss for the financial year
The Company resolved to carry forward the loss for the year ended 31 December 2020 amounting to €4,868,238.

Financial risk management
The Group's activities expose it to minimal financial risks i.e., market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects in the financial performance of the Group.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risk to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of interest rate risk.

Related party transactions

During the year ended 31 December 2020, the Company made payments to Kleos Space Ltd amounting to €653,816 (2019: €666,944). An amount of €71,839 was due to the subsidiary as at 31 December 2020 (2019: due from the subsidiary €754,976).

During the year ended 31 December 2020, the Company made payments to Kleos Space Inc. amounting to €57,951 in the year (2019: nil). An amount of €7,567 was due from the subsidiary as at 31 December 2020 (2019: €nil)

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Auditor

Ernst & Young was appointed as auditor during the year and continues in office in accordance with article 18 of the Company's Articles of association, article 443-1 of the law of 10 August 1915 on commercial companies, as amended, and article 69 of the law on the register of commerce and companies and the accounting and annual accounts of undertakings.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Andy Bowyer
Director

26 February 2021
Luxembourg

We confirm to the best of our knowledge that:

1) There are reasonable grounds to believe that Kleos Space S.A. will be able to pay its debts as and when they become due and payable;

2) The consolidated and Company financial statements of Kleos Space S.A. presented in this report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair of the consolidated and Company financial position and consolidated and Company results of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole; and

3) The Directors' report presented in this report includes a fair review of the development and performance of the business and position of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole.

On behalf of the directors

Andy Bowyer
Director

26 February 2021
Luxembourg

Kleos Space S.A.
Statements of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Note	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Government grants and other revenue	5	176,220	600,616	176,220	600,616
Change in fair value of derivative financial instruments	21	(540,998)	-	(540,998)	-
Finance income		-	268	-	268
Expenses					
Operating expenses	6	(1,298,694)	(1,254,581)	(2,753,711)	(1,209,283)
Employee benefit expenses	7	(1,286,026)	(2,287,046)	(663,561)	(1,684,387)
Research and development expenses		(496,357)	(196,362)	(496,357)	(196,362)
Depreciation expense	8	(43,214)	(60,835)	(43,214)	(60,835)
Other expenses		(118,293)	(68,828)	(115,061)	(62,862)
Finance costs	8	(1,260,876)	(236,530)	(1,260,876)	(236,530)
Total expenses		(4,503,460)	(4,104,182)	(5,332,780)	(3,450,259)
Loss before income tax expense		(4,868,238)	(3,503,298)	(5,697,558)	(2,849,375)
Income tax expense	10	-	-	-	-
Loss after income tax expense for the year attributable to the owners of Kleos Space S.A.		(4,868,238)	(3,503,298)	(5,697,558)	(2,849,375)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		871	(1,229)	-	-
Other comprehensive income for the year, net of tax		871	(1,229)	-	-
Total comprehensive income for the year attributable to the owners of Kleos Space S.A.		(4,867,367)	(3,504,527)	(5,697,558)	(2,849,375)
		Cents	**Cents**	**Cents**	**Cents**
Basic earnings per CDI	11	(4.091)	(3.286)	(4,789)	(2.672)
Diluted earnings per CDI	11	(4.091)	(3.286)	(4.789)	(2.672)

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Kleos Space S.A.
Statements of financial position
As at 31 December 2020

	Note	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Assets					
Current assets					
Cash and cash equivalents	13	10,787,963	292,593	10,778,697	268,928
Trade receivables and other current assets	14	648,960	2,411,346	653,763	3,164,777
Total current assets		11,436,923	2,703,939	11,432,460	3,433,705
Non-current assets					
Shares in subsidiaries	15	-	-	204	204
Property, plant and equipment	16	5,466,987	2,442,914	5,466,987	2,442,914
Right-of-use assets	17	-	35,243	-	35,243
Total non-current assets		5,466,987	2,478,157	5,467,191	2,478,361
Total assets		16,903,910	5,182,096	16,899,651	5,912,066
Liabilities					
Current liabilities					
Trade and other payables	18	423,014	344,821	493,389	343,271
Accrued expenses		323,096	203,412	323,182	179,461
Borrowings	19	3,466,100	1,601,198	3,466,100	1,601,198
Lease liabilities	20	-	36,602	-	36,602
Derivative financial instruments	21	833,973	-	833,973	-
Other current liabilities		524	6,033	524	6,033
Total current liabilities		5,046,707	2,192,066	5,117,168	2,166,565
Total liabilities		5,046,707	2,192,066	5,117,168	2,166,565
Net assets		11,857,203	2,990,030	11,782,483	3,745,501
Equity					
Contributed equity	22	21,867,982	7,687,994	21,867,982	7,687,994
Reserves	23	265,402	709,979	265,278	710,726
Accumulated losses		(10,276,181)	(5,407,943)	(10,350,777)	(4,653,219)
Total equity		11,857,203	2,990,030	11,782,483	3,745,501

The above statements of financial position should be read in conjunction with the accompanying notes

Consolidated	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Balance at 1 January 2019	7,687,994	459,012	(2,385,398)	5,761,608
Adjustment on adoption of IFRS 16 (note 12)	-	-	4,925	4,925
Balance at 1 January 2019 - restated	7,687,994	459,012	(2,380,473)	5,766,533
Loss after income tax expense for the year	-	-	(3,503,298)	(3,503,298)
Other comprehensive income for the year, net of tax	-	(1,229)	-	(1,229)
Total comprehensive income for the year	-	(1,229)	(3,503,298)	(3,504,527)
Transactions with owners in their capacity as owners:				
Value of conversion rights on convertible notes (note 23)	-	(19,369)	-	(19,369)
Share-based payments (note 32)	-	271,565	475,828	747,393
Balance at 31 December 2019	7,687,994	709,979	(5,407,943)	2,990,030

Consolidated	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Balance at 1 January 2020	7,687,994	709,979	(5,407,943)	2,990,030
Loss after income tax expense for the year	-	-	(4,868,238)	(4,868,238)
Other comprehensive income for the year, net of tax	-	871	-	871
Total comprehensive income for the year	-	871	(4,868,238)	(4,867,367)
Transactions with owners in their capacity as owners:				
Issue of CDIs	13,761,347	-	-	13,761,347
Issue of CDIs - conversion of performance rights (note 22)	355,181	-	-	355,181
Issue of CDIs - exercise of warrants (note 22)	694,527	-	-	694,527
Issue of CDIs - exercise of options (note 22)	741,037	-	-	741,037
Transaction costs, net of tax (note 22)	(1,372,104)	-	-	(1,372,104)
Share-based payments (note 23)	-	265,278	-	265,278
Reversal on exercise of performance rights (note 23)	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights (note 23)	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes (note 23)	-	19,369	-	19,369
Balance at 31 December 2020	21,867,982	265,402	(10,276,181)	11,857,203

The above statements of changes in equity should be read in conjunction with the accompanying notes

Company	**Contributed equity €**	**Reserves €**	**Accumulated losses €**	**Total equity €**
Balance at 1 January 2019	7,687,994	458,530	(2,284,597)	5,861,927
Adjustment on adoption of IFRS 16 (note 12)	-	-	4,925	4,925
Balance at 1 January 2019 - restated	7,687,994	458,530	(2,279,672)	5,866,852
Loss after income tax expense for the year	-	-	(2,849,375)	(2,849,375)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,849,375)	(2,849,375)
Transactions with owners in their capacity as owners:				
Value of conversion rights on convertible notes (note 23)	-	(19,369)	-	(19,369)
Share-based payments (note 32)	-	271,565	475,828	747,393
Balance at 31 December 2019	7,687,994	710,726	(4,653,219)	3,745,501

Company	**Contributed equity €**	**Reserves €**	**Accumulated losses €**	**Total equity €**
Balance at 1 January 2020	7,687,994	710,726	(4,653,219)	3,745,501
Loss after income tax expense for the year	-	-	(5,697,558)	(5,697,558)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,697,558)	(5,697,558)
Transactions with owners in their capacity as owners:				
Issue of CDIs	13,761,347	-	-	13,761,347
Issue of CDIs - conversion of performance rights (note 22)	355,181	-	-	355,181
Issue of CDIs - exercise of warrants (note 22)	694,527	-	-	694,527
Issue of CDIs - exercise of options (note 22)	741,037	-	-	741,037
Transaction costs, net of tax (note 22)	(1,372,104)	-	-	(1,372,104)
Share-based payments (note 23)	-	265,278	-	265,278
Reversal on exercise of performance rights (note 23)	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights (note 23)	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes (note 23)	-	19,369	-	19,369
Balance at 31 December 2020	21,867,982	265,278	(10,350,777)	11,782,483

	Note	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Cash flows from operating activities					
Receipts from government grants		490,195	591,600	490,195	591,600
Receipts from participation in development program		-	13,216	-	13,216
Payments to suppliers and employees		(3,485,284)	(5,521,748)	(4,288,842)	(4,875,574)
Interest paid		(514,298)	(27,659)	(514,298)	(27,659)
Interest received		-	268	-	268
Net cash used in operating activities	31	(3,509,387)	(4,944,323)	(4,312,945)	(4,298,149)
Cash flows from investing activities					
Payments for investments		-	-	-	(89)
Payments for property, plant and equipment		(1,157,815)	(533,124)	(1,157,815)	(533,124)
Payments for related parties		-	-	(711,767)	(666,944)
Receipts from related parties		-	301	1,531,015	-
Net cash used in investing activities		(1,157,815)	(532,823)	(338,567)	(1,200,157)
Cash flows from financing activities					
Proceeds from issue of CDI's	22,31	14,950,811	-	14,950,811	-
CDI's issued - transaction costs	22	(1,004,731)	-	(1,004,731)	-
Proceeds from issue of convertible notes	31	-	1,552,840	-	1,552,840
Proceeds from borrowings - Luxembourg Ministry of the Economy	31	146,457	-	146,457	-
Net proceeds from borrowings - Winance	31	1,105,346	-	1,105,346	-
Repayment of lease liabilities	31	(36,602)	(46,580)	(36,602)	(46,580)
Net cash from financing activities		15,161,281	1,506,260	15,161,281	1,506,260
Net increase/(decrease) in cash and cash equivalents		10,494,079	(3,970,886)	10,509,769	(3,992,046)
Cash and cash equivalents at the beginning of the financial year		292,593	4,263,626	268,928	4,260,974
Effects of exchange rate changes on cash and cash equivalents		1,291	(147)	-	-
Cash and cash equivalents at the end of the financial year	13	10,787,963	292,593	10,778,697	268,928

The above statements of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover both Kleos Space S.A. (referred to as the 'Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Kleos Space S.A. and the entities it controlled (referred to hereafter as the 'Group') at the end of, or during, the period. The financial statements are presented in Euro, which is Kleos Space S.A.'s functional and presentation currency.

The Company is a Société Anonyme - public limited liability company, incorporated and domiciled in Luxembourg. The Company is dual-listed on the Australian Securities Exchange ('ASX') and Frankfurt Stock Exchange ('FRA').

Its Australian registered office and principal place of business are:

Registered office	**Principal place of business**
Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia	26, rue des Gaulois L-1618, Luxembourg Luxembourg

The principal activity of the Group during the financial year was to undertake the development of the Space enabled, activity-based intelligence, data-as-a-service products. The Group aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation-as-a-service. The first Kleos Space satellite system, known as Kleos Scouting Mission ('KSM'), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The KSM will deliver targeted daily services with the full constellation delivering near-real-time global observation.

The Group's research and development personnel are involved in the development of Radio Frequency ('RF') geolocation techniques, RF signal analysis techniques, data science techniques including machine learning, satellite technologies, and data processing methodologies in order to provide a RF Geolocation Data-as-a-Service series of products to information users in the defence and security Intelligence Surveillance and Reconnaissance market and as well to perform the necessary tests on the equipment for launching their own Low Earth Orbit ('LEO') nano-satellite Earth Observation.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021. In accordance with Luxembourg law, shareholders have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies and changes in accounting policies

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standards Board ('IASB') and adopted by the European Union (‘IFRS’), as at 31 December 2020.

Historical cost convention
The financial statements have been prepared under the historical cost convention except for derivative financial instruments measured at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

New or amended Accounting Standards and Interpretations adopted

The Group and the Company have applied for the first time all of the new or amended Accounting Standards, Interpretations and amendments issued by the International Accounting Standards Board ('IASB') that are effective for the current reporting period and have been endorsed by the European Union.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Amendments to IFRS 3: *Definition of a Business*
The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group and the Company, but may impact future periods should the Group and the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*
The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group and the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 *Definition of Material*
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group and the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group and the Company.

Amendments to IFRS 16 *COVID-19 Related Rent Concessions*
On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases.* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment mandatorily applies to annual reporting periods beginning on or after 1 June 2020 although the Group has early adopted this standard from 1 January 2020. This amendment had no impact on the consolidated financial statements of the Group and the Company.

The Group and the Company have not adopted any standards, amendments or interpretations that have been issued but are not yet effective.

Going concern
These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year ended 31 December 2020 the Group incurred a net loss of €4,868,238 (2019: net loss of €3,503,298). As at 31 December 2020 the Group had net current assets of €6,390,216 (2019: net current assets of €511,873) and cash and cash equivalents of €10,787,963 (2019: €292,593).

During the year ended 31 December 2020 the Company incurred a net loss of €5,697,558 (2019: net loss of €2,849,375). As at 31 December 2020 the Group had net current assets of €6,315,292 (2019: net current assets of €1,267,140) and cash and cash equivalents of €10,778,697 (2019: €268,928).

Note 2. Significant accounting policies and changes in accounting policies (continued)

The outbreak of a novel and highly contagious form of coronavirus ('COVID-19), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous casualties, adversely impacted global businesses and contributed to significant volatility in certain equity and debt markets. More particularly COVID-19 has namely caused significant delays in the launch of the Company's first satellites and is therefore delaying the generation of revenue. While the Company launched the Cluster 1 Satellites KSM on 7 November 2020, the satellites are still in testing phase. The generation of revenue has been delayed due to an extended pre-operation commissioning phase of the satellites. As such the ability of the Company to generate revenue going forward remains uncertain as at 31 December 2020 and management has no certainty on when it will actually take place. This situation put constraints on the liquidity of the Group.

As at the date of the approval of these financial statements, the Group has:
- Repaid the loan from Winance;
- Signed MoUs and pre-orders with potential customers; and
- Begun construction of Cluster 2 satellites

In order to raise sufficient additional funding to meet the cashflow requirements of the Group and to manage its future cash outflows, the Group have plans to take the following initiatives:
- Continue to monitor the testing of the Cluster 1 satellites. The testing phase is expected to be completed by end of March 2021 after which satellites will be operational and able to generate revenue from customers contracts;
- The Company is engaging with its pipeline of potential customers to negotiate and sign contracts in anticipation of the satellites completing commissioning and in-orbit testing; and
- If necessary, the Company will seek to raise additional equity to finance funding requirements

Having considered all of the above factors, the directors are confident the Group will be able to continue as a going concern for at least 12 months from approval of these financial statements. However, until the satellites are fully operational, having completed commissioning and in-orbit testing, the uncertainty about the ability of the Company to generate revenue from customers indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

In addition, in accordance with article 480-2 (formerly article 100) of the Luxembourg Company Law of 10 August 1915 (as subsequently amended) and because accumulated losses exceed half of the share capital as at 31 December 2019, the Board of Directors must convene a shareholders' meeting to decide upon the continuation of the Company.

No adjustments have been made relating to the recoverability of recorded asset values and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kleos Space S.A. as at 31 December 2020 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
Foreign currency transactions
These financial statements are presented in Euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. Foreign currency transactions are translated into the entity's functional currency, mainly the Euro, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).
Foreign operations
The assets and liabilities of foreign operations are translated into Euro using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Euro using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Revenue recognition
The Group recognises revenue as follows:

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are recognised in profit or loss as revenue on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income from government grants in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised if and when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

• When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

• When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables are measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value through statement of profit or loss at each reporting date.
This fair value of the derivative financial instruments at grant date are accounted for as a cost of obtaining the loan or equity. The cost of the loans is amortised as a finance cost over the loan period using the effective interest rate method while cost of equity is accounted for as transaction cost of equity.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Investments and other financial assets
Investment in subsidiaries are recognised at cost.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation commences when the asset is available for use as intended by management.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Computer equipment	4 years
Tools and equipment	10 years
Furniture	5 years
Satellite equipment	Depreciation (over 3 years), to commence when the asset is available for its intended use.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Related party payables are recognised at amortised cost, less any provision for impairment.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On initial recognition of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. The remainder of the proceeds are allocated to the conversion option that is recognised in other equity, net of transaction costs and income tax. The carrying amount of the conversion option is not subsequently remeasured. The corresponding interest on convertible notes is expensed to profit or loss through the effective interest method.

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of CDIs, or options over CDIs, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the CDI price at grant date and expected price volatility of the underlying CDI, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Equity-settled awards by the parent to employees of subsidiaries are recognised in the parent's individual financial statements as an increase in investment in the subsidiary with a corresponding credit to equity and not as a charge to profit or loss. The investment in subsidiary is reduced by any contribution by the subsidiary.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 2. Significant accounting policies and changes in accounting policies (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based the asset's highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

CDIs are classified as equity.

Incremental costs directly attributable to the issue of new CDIs or options are deducted against equity. Costs including marketing costs which do not meet the definition of transaction costs are charged to the profit or loss.

CDIs issued upon the exercise of warrants or options are valued at the exercise price of the warrant or option less the cost ascribed to the respective warrants or options at the grant date or valuation at exercise date.

Earnings per CDI

Basic earnings per CDI
Basic earnings per CDI is calculated by dividing the profit attributable to the owners of Kleos Space S. A., excluding any costs of servicing equity other than CDIs, by the weighted average number of CDIs outstanding during the financial period, adjusted for bonus elements in CDIs issued during the financial period.

Diluted earnings per CDI
Diluted earnings per CDI adjusts the figures used in the determination of basic earnings per CDI to take into account the after income tax effect of interest and other financing costs associated with dilutive potential CDIs and the weighted average number of CDIs assumed to have been issued for no consideration in relation to dilutive potential CDIs.

Value Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 2. Significant accounting policies and changes in accounting policies (continued)

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

The new and amended standards and interpretations (that are applicable to the Group) issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group and the Company.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

Note 2. Significant accounting policies and changes in accounting policies (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – ***Amendments to IAS 16***
In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group and the Company.

Onerous Contracts – Costs of Fulfilling a Contract – ***Amendments to IAS 37***
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group and the Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 ***First-time Adoption of International Financial Reporting Standards*** **– Subsidiary as a first-time adopter**
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 ***Financial Instruments*** **– Fees in the ’10 per cent’ test for derecognition of financial liabilities**
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group and the Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group and the Company.

IAS 41 ***Agriculture*** **– Taxation in fair value measurements**
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

Note 2. Significant accounting policies and changes in accounting policies (continued)

The amendments are not applicable to the Group and the Company.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Judgements

Determining the lease term of contracts with renewal and termination options (note 26)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
The Group has lease contract for office building which has been determined as short term lease contract.

Estimates and assumptions

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions (note 32)
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Monte Carlo model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets (note 16)
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets (note 16)
The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions. The Group performs a technical assessment of the condition of the satellites as a basis for its impairment test.

Income tax (note 10)
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement and estimates are required in recognising and measuring current and deferred tax amounts. For any uncertain tax treatment adopted relating to transactions or events, the Group recognises and measures tax related amounts having regard to both the probability that such amounts may be challenged by a tax authority and the expected resolution of such uncertainties. In such circumstances, tax balances are determined based on either most-likely amount or expected-value probability-based outcomes. Where final tax outcomes vary from what is estimated, such differences will impact the current and deferred tax provisions recognised in the financial statements.

Recovery of deferred tax assets (note 10)
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Development costs (note 16)
Development costs have not been capitalised until the technical feasibility of completing the intangible asset has been achieved and it is probable that the future economic benefits generated will flow to the Group. It is anticipated that the technical feasibility will be complete after the first satellite launch.

Government grant income (note 5)
The Group's only income source for the period related to funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg. To the extent that all payments are made by the Agency against milestone delivery, the Group has recognised revenue in line with expenditure, and recognised the balance as a liability.

Note 4. Operating segments

Identification of reportable operating segments
The Group operates in one segment (Research and Development - technology), based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The operating segment information is the same information as disclosed in these financial statements and is therefore not duplicated.

Note 5. Government grants and other revenue

	Consolidated		Company	
	2020	2019	2020	2019
	€	€	€	€
Government grants	176,220	587,400	176,220	587,400
Other revenue	-	13,216	-	13,216
Government grants and other revenue	176,220	600,616	176,220	600,616

Note 5. Government grants and other revenue (continued)

Government grants

Grants revenue represents funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg. To the extent that all payments are made by the Agency against relevant milestone delivery, the Group recognises revenue in profit or loss in line with expenditure and recognises the balance as a liability in the statement of financial position. Accrued income is recognised as an asset for amount receivable against revenue recognised on milestone delivery. Accordingly, the Group recognised €176,220 (2019: €587,400) income from government grants in line with expenditure incurred during the year ended 31 December 2020 and accrued income of €73,425 at 31 December 2020 (2019: €387,400).

Other revenue

Other revenue represents amount received from Space Capital Colorado, LLC for participation in fourth cohort of the Catalyst Space Accelerator program. The amount is used to defray costs of the program.

Note 6. Operating expenses

	Consolidated		Company	
	2020	2019	2020	2019
	€	€	€	€
Administration expenses	200,857	219,010	172,208	218,370
Consulting and professional fees	1,011,294	840,601	986,795	836,750
Payroll tax expense	3,934	-	-	-
Rent expenses	26,396	581	19,700	581
Travel expenses	56,213	194,389	43,994	153,582
Recharge by subsidiaries	-	-	1,531,014	-
	1,298,694	1,254,581	2,753,711	1,209,283

Consulting and professional fees

The consulting and professional fees for the year ended 31 December 2020 and 31 December 2019 include auditor's remuneration, refer note 9.

Recharge by subsidiaries

The Company and its subsidiaries have entered into contractual agreements for the provision of services by the subsidiaries to the Company. The value of the services provided for the year ended 31 December 2020 was €1,531,014 (2019: nil).

Note 7. Employee benefit expenses

	Consolidated		Company	
	2020	2019	2020	2019
	€	€	€	€
Salaries and benefits	1,616,087	1,539,653	993,622	936,994
Share-based payments	(330,061)	747,393	(330,061)	747,393
	1,286,026	2,287,046	663,561	1,684,387

	Consolidated		Company	
	2020	2019	2020	2019
Annual average number of employees	15	14	10	10

Note 8. Expenses

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Loss before income tax includes the following specific expenses:				
Depreciation				
Computer equipment	1,269	1,269	1,269	1,269
Tools and equipment	6,633	6,633	6,633	6,633
Furniture	69	69	69	69
Office premises right-of-use assets	35,243	52,864	35,243	52,864
	43,214	60,835	43,214	60,835
Finance costs				
Interest and finance charges	26,382	14,752	26,382	14,752
Interest and finance charges paid/payable on lease liabilities	2,798	12,520	2,798	12,520
Interest on convertible notes	216,770	208,871	216,770	208,871
Interest on trade payables	-	387	-	387
Interest on amount payable to the Luxembourg Ministry of the Economy	458	-	458	-
Interest on Winance loan	1,014,468	-	1,014,468	-
	1,260,876	236,530	1,260,876	236,530
Net foreign exchange loss (included in other expenses)				
Net foreign exchange loss	-	33,901	-	29,792

Note 9. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by Ernst & Young S.A. (2019: Deloitte Audit S.à r.l.), the auditor of the Group, and its network firms:

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Audit services - Ernst & Young S.A. (2019: Deloitte Audit S.à r.l.)				
Audit or review of the financial statements	55,000	66,675	55,000	66,675

During the financial period, no non-audit services were received by the Group or Company.

Note 10. Income tax

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Numerical reconciliation of income tax expense and tax at the statutory rate				
Loss before income tax expense	(4,868,238)	(3,503,298)	(5,697,558)	(2,849,375)
Tax at the statutory tax rate of 24.94%	(1,214,139)	(873,723)	(1,420,971)	(710,634)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Current period tax losses not recognised	1,214,139	873,723	1,420,971	710,634
Income tax expense	-	-	-	-

Given the Group is in the early stages of development, there is no certainty that taxable income will be generated and, therefore, no deferred tax assets in relation to temporary differences or tax losses have been included in the financial statements. The cumulative tax losses to the end of 2019 are €5,941,953. Tax losses can be carried forward for 17 years, and will expire as follows 2034: €183,494; 2035: €2,937,953; and 2036: €2,820,506.. The tax loss for 2020 is expected to approximate the loss in the financial statements of €5,697,558.

Note 11. Earnings per CDI

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Loss after income tax attributable to the owners of Kleos Space S.A.	(4,868,238)	(3,503,298)	(5,697,558)	(2,849,375)
	Number	Number	Number	Number
Weighted average number of CDIs used in calculating basic earnings per CDI	118,966,257	106,627,500	118,966,257	106,627,500
	Cents	Cents	Cents	Cents
Basic earnings per CDI	(4.091)	(3.286)	(4.789)	(2.672)
Diluted earnings per CDI	(4.091)	(3.286)	(4.789)	(2.672)

At 31 December 2020 and 2019, performance rights, options issued with or without services conditions and warrants over CDIs have been excluded from the calculation of the weighted average number of CDIs used in calculating diluted earnings per CDI as they are anti-dilutive.

Note 12. IFRS 16 Leases - Impact of adoption

IFRS 16 is adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening accumulated losses of the Company and the Group as at 1 January 2019 was as follows:

Note 12. IFRS 16 Leases - Impact of adoption (continued)

	1 January 2019 €
Operating lease commitments as at 1 January 2019 (IAS 17)	98,500
Operating lease commitments discount based on the weighted average incremental borrowing rate of 20% (IFRS 16)	(15,318)
Lease liabilities - recognised as at 1 January 2019	83,182

	1 January 2019 €
Right-of-use assets recognised as at 1 January 2019 (IFRS 16)	88,107
Lease liabilities - current (IFRS 16)	(46,581)
Lease liabilities - non-current (IFRS 16)	(36,601)
Decrease in opening accumulated losses as at 1 January 2019	4,925

Note 13. Cash and cash equivalents

	Consolidated		Company	
	2020 €	**2019 €**	**2020 €**	**2019 €**
Current assets				
Cash on hand	34	45	33	33
Cash at bank	10,787,929	277,783	10,778,664	254,130
Cash on deposit	-	14,765	-	14,765
	10,787,963	292,593	10,778,697	268,928

The cash and cash equivalents disclosed above and in the statement of cash flows include cash on deposit €nil (2019: €14,765) which represents deposits held by various landlords. These deposits are not available to the Group for general use.

During the year ended 31 December 2020 the Group and Company earned no interest (2019: $268).

Note 14. Trade receivables and other current assets

	Consolidated		Company	
	2020 €	**2019 €**	**2020 €**	**2019 €**
Current assets				
Government grant (Note 5)	73,425	387,400	73,425	387,400
Receivable from subsidiaries	-	-	7,567	754,976
Other receivable	32,963	-	32,732	-
Prepayments	456,942	1,786,346	456,942	1,785,602
Net VAT refundable	85,630	237,600	83,097	236,799
	648,960	2,411,346	653,763	3,164,777

Receivable from subsidiaries is repayable on demand and is non-interest bearing.

Note 14. Trade and other receivables (continued)

Prepayments represent payments to Spaceflight in relation to the launch of the Cluster 2 Satellites and also includes other prepayments for insurance and engineering services.

Allowance for expected credit losses
The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2020 %	Expected credit loss rate 2019 %	Carrying amount 2020 €	Carrying amount 2019 €	Allowance for expected credit losses 2020 €	Allowance for expected credit losses 2019 €
Not overdue	-	-	73,425	387,400	-	-

Company	Expected credit loss rate 2020 %	Expected credit loss rate 2019 %	Carrying amount 2020 €	Carrying amount 2019 €	Allowance for expected credit losses 2020 €	Allowance for expected credit losses 2019 €
Not overdue	-	-	73,425	387,400	-	-

The above table also represents the ageing of the receivables of the Group. As at 31 December 2020, the other receivables are for government grants from European Space Agency (Note 5). The Group performed an analysis of expected credit losses and assessed the expected credit loss as being immaterial.

Note 15. Shares in subsidiaries

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Non-current assets				
Shares in subsidiaries	-	-	204	204

Interests in subsidiaries
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Kleos Space (Asia Pacific) Pty Ltd*	Australia	100%	100%
Kleos Space Ltd**	United Kingdom	100%	100%
Kleos Space Inc.***	United States of America	100%	100%

* Dormant company, incorporated on 19 March 2018
** Incorporated on 13 November 2018
*** Incorporated on 7 October 2019

Note 16. Property, plant and equipment

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Non-current assets				
Computer equipment - at cost	5,149	5,149	5,149	5,149
Less: Accumulated depreciation	(4,186)	(2,917)	(4,186)	(2,917)
	963	2,232	963	2,232
Tools and equipment - at cost	67,245	67,245	67,245	67,245
Less: Accumulated depreciation	(17,665)	(11,032)	(17,665)	(11,032)
	49,580	56,213	49,580	56,213
Furniture - at cost	350	350	350	350
Less: Accumulated depreciation	(190)	(121)	(190)	(121)
	160	229	160	229
Satellite equipment (construction-in-progress)	5,416,284	2,384,240	5,416,284	2,384,240
	5,466,987	2,442,914	5,466,987	2,442,914

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer equipment €	Tools and equipment €	Furniture €	Satellite equipment (construction-in-progress) €	Total €
Balance at 1 January 2019	3,501	62,846	298	1,851,116	1,917,761
Additions	-	-	-	533,124	533,124
Depreciation expense	(1,269)	(6,633)	(69)	-	(7,971)
Balance at 31 December 2019	2,232	56,213	229	2,384,240	2,442,914
Additions	-	-	-	3,032,044	3,032,044
Depreciation expense	(1,269)	(6,633)	(69)	-	(7,971)
Balance at 31 December 2020	963	49,580	160	5,416,284	5,466,987

The reconciliation of the written down values of the Group and the Company are the same.

At the reporting date, management performed an impairment review to determine whether events or change in circumstances indicate that the carrying value of assets may not be recoverable. Management concluded that there was no impairment required for property plant and equipment as at 31 December 2020.

Note 17. Right-of-use assets

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Non-current assets				
Office premises - right-of-use	88,107	88,107	88,107	88,107
Less: Accumulated depreciation	(88,107)	(52,864)	(88,107)	(52,864)
	-	35,243	-	35,243

The right-of-use assets relate to the parent entity's office premises. The Company entered into a new lease contract during the year ended 31 December 2020 for a period of less than 12 months, accordingly no right-of-use asset and corresponding lease liability is recognised.

Note 18. Trade and other payables

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Current liabilities				
Trade payables	422,713	344,520	421,550	343,271
Payable to related party	301	301	-	-
Payable to subsidiaries	-	-	71,839	-
	423,014	344,821	493,389	343,271

Refer to note 25 for further information on financial instruments.

Trade payables represent amounts due for operating expenses.

Note 19. Borrowings

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Current liabilities				
Winance loan	3,319,643	-	3,319,643	-
Payable to the Luxembourg Ministry of the Economy	146,457	-	146,457	-
Convertible notes	-	1,601,198	-	1,601,198
	3,466,100	1,601,198	3,466,100	1,601,198

Refer to note 25 for further information on financial instruments.

Refer to note 23 for value of the conversion rights relating to the convertible notes.

Winance loan
On 18 February 2020, the Company secured a loan agreement of €3,410,000 (A$5,500,000) with a Dubai-based Family Office, Winance Investment LLC ("Winance"), for a period of 12 months. The Company may elect to repay or prepay in full all loans outstanding by issuing convertible notes. The Company determined that this loan does not contain any equity instrument.

Note 19. Borrowings (continued)

Interest is 1.5% per month, payable monthly. Alternatively, the Company may elect to issue CDIs in payment of the interest, in which case the interest rate will be 2.0% per month. The Company has not issued any CDIs during the year ended 31 December 2020, in settlement of interest payable.

Warrants
On 20 February 2020, the Company issued 6,319,125 warrants to Winance with an exercise price of A$0.38, which can be exercised anytime over a three-year term. The warrants have been issued as part of the consideration for the financial accommodation received under the Winance loan.

On 6 July 2020, the Company issued a further 2,285,381 warrants to Winance with an exercise price of A$0.38 which can be exercised anytime over a three year term on satisfying the conditions of the loan agreement.

On 30 October 2020, 3,000,000 warrants to Winance were exercised at A$0.38 for a total of A$1,140,000 (€694,527).

The warrants have been accounted for as derivative liabilities. The fair value of the 8,604,506 warrants issued at grant date was €136,325. This value was accounted for as a cost of obtaining the Winance loan and deducted from that loans' carrying value. The cost of the warrants is therefore amortised as a finance cost over the loan period using the effective interest rate method.

At reporting date, the fair value of the remaining outstanding 5,604,506 warrants is €657,739.

Options
On 17 July 2020, the Company issued 2,000,000 options with an exercise price of A$0.50, which can be exercised at any time over a three year term. The options have been issued as part of the consideration for a subscription for 10,000,001 CDIs.

The options have been accounted for as derivative liabilities. The fair value of the 2,000,000 options issued at grant was €146,950. This value was accounted for as a cost of obtaining the equity investment and deducted from share capital.

At reporting date, the fair value of the outstanding 2,000,000 options is €176,234.

Payable to the Luxembourg Ministry of the Economy
This payable represents a short-term funding facility given by the Luxembourg Ministry of the Economy, under a Coronavirus support scheme. Interest is payable at 0.5% interest per annum. Repayment terms will be negotiated in 2021.

Convertible notes
The Company redeemed the convertible notes on 27 February 2020. Refer to note 2 (Borrowings) for accounting treatment of convertible notes.

Note 20. Lease liabilities

	Consolidated		Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Current liabilities				
Lease liabilities	-	36,602	-	36,602

Lease liabilities related to the right-of-use of the Group's office premises. Refer to note 17.

Refer to note 25 for maturity analysis of lease liabilities.

Note 20. Lease liabilities (continued)

The short-term lease payment recognised in the profit or loss is as follows:

	Consolidated		Company	
	2020	2019	2020	2019
	€	€	€	€
Short-term lease payments	26,396	581	19,700	581

Note 21. Derivative financial instruments

	Consolidated		Company	
	2020	2019	2020	2019
	€	€	€	€
Current liabilities				
Derivative financial instruments - warrants	657,739	-	657,739	-
Derivative financial instruments - options	176,234	-	176,234	-
	833,973	-	833,973	-

Refer to note 19 for further information on warrants and options.

Refer to note 26 for further information on fair value measurement.

Note 22. Contributed equity

	Consolidated			
	2020	2019	2020	2019
	CDIs	CDIs	€	€
CHESS Depository Interests - fully paid	159,573,436	106,627,500	21,867,982	7,687,994

	Company			
	2020	2019	2020	2019
	CDIs	CDIs	€	€
CHESS Depository Interests - fully paid	159,573,436	106,627,500	21,867,982	7,687,994

Note 22. Contributed equity (continued)

Movements in CDI/shares (Consolidated and Company)

Details	Date	CDIs	Issue price	€
Balance	1 January 2019	106,627,500		7,687,994
Balance	31 December 2019	106,627,500		7,687,994
Issue of CDIs at A$ 0.3000	17 July 2020	10,000,001	€0.1847	1,847,404
Issue of CDIs at A$ 0.0020	17 July 2020	300,000	€0.0010	300
Issue of CDIs - conversion of performance rights	17 July 2020	9,000,000	€0.0395	355,181
Issue of CDIs - exercise of options at A$ 0.3000	30 October 2020	650,000	€0.1805	117,354
Issue of CDIs - exercise of options at A$ 0.4000	30 October 2020	400,000	€0.2407	96,291
Issue of CDIs - exercise of warrants at A$ 0.3800	30 October 2020	3,000,000	€0.2315	694,527
Issue of CDIs - exercise of options at A$ 0.4000	30 October 2020	50,000	€0.2407	12,036
Issue of CDIs - exercise of options at A$ 0.4000	3 November 2020	840,000	€0.2407	202,210
Issue of CDIs - exercise of options at A$ 0.4000	13 November 2020	710,000	€0.2437	173,023
Issue of CDIs at A$ 0.4540	17 November 2020	907,046	€0.2713	246,100
Issue of CDIs at A$ 0.7200	17 November 2020	10,585,878	€0.4443	4,703,521
Issue of CDIs - exercise of options at A$ 0.4000	27 November 2020	200,000	€0.2437	48,738
Issue of CDIs - exercise of options at A$ 0.3000	27 November 2020	500,000	€0.1828	91,385
Issue of CDIs at A$ 0.7200	7 December 2020	12,891,930	€0.4407	5,681,176
Issue of CDIs at A$ 0.7200	9 December 2020	2,911,081	€0.4407	1,282,846
Transaction costs, net of tax		-	€0.0000	(1,372,104)
Balance	31 December 2020	159,573,436		21,867,982

CHESS Depository Interests ('CDI') entitles the holder to participate in dividends and any proceeds on a winding up of the Company in proportions that consider both the number of CDIs held and the extent to which those CDIs are paid up.

All CDIs carry one vote per CDI.

The Company does not have a limited amount of authorised capital.

In 2020, the Company raised in total €15,552,094 net of capital raising costs of €1,372,104. Capital raising costs includes the fair value of 3,000,000 options (note 32) granted to a third party for services rendered as part of the fund raising activities.

As part of the issuance of 17 July 2020 disclosed above, the Company also issued 2,000,000 options to one shareholder, for which the fair value at grant date has been deducted from the proceeds. These options are recorded as financial liabilities with change in fair value through profit and loss as disclosed under note 21.

CDI buy-back
There is no current on-market CDI buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new CDIs or sell assets to reduce debt.

The Group regularly requires additional debt or equity funding in order to fund operating and capital expenditures, particularly until it generates revenue after the launch of the first satellites.

The capital risk management policy remains unchanged from the 2019 Annual Report.

Note 23. Reserves

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Foreign currency reserve	124	(747)	-	-
Share-based payments reserve	265,278	730,095	265,278	730,095
Other reserve	-	(19,369)	-	(19,369)
	265,402	709,979	265,278	710,726

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Euro.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Other reserve
The reserve is the value of the conversion rights relating to the convertible notes (note 19), which has been reversed on extinguishment of the convertible notes.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency €	Share-based payments €	Other €	Total €
Balance at 1 January 2019	482	458,530	-	459,012
Foreign currency translation	(1,229)	-	-	(1,229)
Share-based payments	-	271,565	-	271,565
Convertible notes	-	-	(19,369)	(19,369)
Balance at 31 December 2019	(747)	730,095	(19,369)	709,979
Foreign currency translation	871	-	-	871
Share-based payments	-	265,278	-	265,278
Reversal on exercise of performance rights	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes	-	-	19,369	19,369
Balance at 31 December 2020	124	265,278	-	265,402

Note 23. Reserves (continued)

Company	Foreign currency €	Share-based payments €	Other €	Total €
Balance at 1 January 2019	-	458,530	-	458,530
Share-based payments	-	271,565	-	271,565
Convertible notes	-	-	(19,369)	(19,369)
Balance at 31 December 2019	-	730,095	(19,369)	710,726
Share-based payments	-	265,278	-	265,278
Reversal on exercise of performance rights	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes	-	-	19,369	19,369
Balance at 31 December 2020	-	265,278	-	265,278

Note 24. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25. Financial instruments

Financial risk management objectives
The Group's activities expose it to minimal financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risks to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of interest rate risk.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amount of the Group's and the Company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		**Liabilities**	
Consolidated	**2020 €**	**2019 €**	**2020 €**	**2019 €**
US dollars	8,785	-	-	-
Pound Sterling	3,245	25,210	1,448	25,590
Australian dollars	179,992	-	-	1,601,198
	192,022	25,210	1,448	1,626,788

Note 25. Financial instruments (continued)

	Assets		Liabilities	
	2020	2019	2020	2019
Company	€	€	€	€
Australian dollars	179,992	-	-	1,601,198

At 31 December 2020, the Group had net financial assets denominated in foreign currency of €190,574 (2019: net financial liabilities of €1,601,578).

Based on this exposure, had the Euro strengthened by 10%/weakened by 10% (2019: strengthened by 10%/weakened by 10%) against these foreign currencies with all other variables held constant, the Group's loss before tax for the period would have been €19,057 lower/€19,057 higher (2019: €160,158 lower/€160,158 higher) and equity would have been €19,057 lower/€19,057 higher (2019: €160,158 lower/€160,158 higher).

The Winance loan was received in Euro and is repayable in Euro.

At 31 December 2020, the Company had net financial assets denominated in foreign currency of €179,992 (2019: net financial liabilities of €1,601,198).

Based on this exposure, had the Euro strengthened by 10%/weakened by 10% (2019: strengthened by 10%/weakened by 10%) against these foreign currencies with all other variables held constant, the Company's loss before tax for the period would have been €17,999 lower/€17,999 higher (2019: €160,120 lower/€160,120 higher) and equity would have been €17,999 lower/€17,999 higher (2019: €160,120 lower/€160,120 higher).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Price risk
The Group and the Company is not exposed to any significant price risk.

Interest rate risk
At the reporting date, the Group had no variable rate borrowings.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group and the Company monitors the receivables on an ongoing basis and its exposure to bad debts is not significant.

The Group and the Company's cash at bank is deposited with creditworthy banks with no recent history of default.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group and the Company manages liquidity risk by maintaining adequate cash reserves which it does by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 25. Financial instruments (continued)

Remaining contractual maturities
The following table details the Group's and Company's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated - 2020	Weighted average interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	422,713	-	-	-	422,713
Other current liabilities	-	524	-	-	-	524
Interest-bearing - fixed rate						
Winance loan	18.00%	3,512,300	-	-	-	3,512,300
Payable to the Luxembourg Ministry of the Economy	0.50%	146,457	-	-	-	146,457
Total non-derivatives		4,081,994	-	-	-	4,081,994
Derivatives						
Warrants*	-	657,739	-	-	-	657,739
Options	-	176,234	-	-	-	176,234
Total derivatives		833,973	-	-	-	833,973

Consolidated - 2019	Weighted average interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	344,520	-	-	-	344,520
Other current liabilities	-	6,033	-	-	-	6,033
Interest-bearing - fixed rate						
Convertible notes	20.00%	1,601,198	-	-	-	1,601,198
Lease liabilities	20.00%	36,602	-	-	-	36,602
Total non-derivatives		1,988,353	-	-	-	1,988,353

Note 25. Financial instruments (continued)

Company - 2020	Weighted average interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade payables	-	421,550	-	-	-	421,550
Other current liabilities	-	524	-	-	-	524
Interest-bearing - fixed rate						
Winance loan	18.00%	3,512,300	-	-	-	3,512,300
Payable to the Luxembourg Ministry of the Economy	0.50%	146,457	-	-	-	146,457
Total non-derivatives		4,081,994	-	-	-	4,081,994
Derivatives						
Warrants*	-	657,739	-	-	-	657,739
Options	-	176,234	-	-	-	176,234
Total derivatives		833,973	-	-	-	833,973

Company - 2019	Weighted average interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade payables	-	343,271	-	-	-	343,271
Other current liabilities	-	6,033	-	-	-	6,033
Interest-bearing - fixed rate						
Convertible notes	20.00%	1,601,198	-	-	-	1,601,198
Lease liabilities	20.00%	36,602	-	-	-	36,602
Total non-derivatives		1,987,104	-	-	-	1,987,104

* The figure provided for warrants represents the maximum possible cash payment that could be made to warrant holders on exercise of warrants should their total CDI holding exceed a threshold on exercise. The thresholds are as follows: (i) 20%; (ii) 33%; (iii) 50%; and (iv) any other threshold provided by applicable law. The consent of the Luxembourg Government is required before any person may directly or indirectly hold Shares or CDIs in such a way that the proportion of voting rights held by such person would meet or exceed these thresholds. If, upon an exercise of warrants, the proportion of voting rights directly or indirectly linked to the CDI's would meet or exceed a threshold, the Company must notify the warrant holder of this fact, and the warrant holder must obtain prior consent of the Luxembourg Licensing Authority. Alternatively, the warrant holder may elect at any time to exercise the warrants by redeeming them for a cash payment by given a Cash Redemption Notice to the Company. The Company must pay to the warrant holder a cash payment determined in accordance with the following formula: Number of warrants X (Current share price - Exercise price). Such a cash redemption amount is equivalent to the fair value disclosed in the above tables. Should a warrant holders CDI holding not exceed a threshold amount on exercise, such warrant holders will pay to the Company the exercise price in exchange for CDIs in the Company, and no cash will be exchanged.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 26. Fair value measurement

Fair value hierarchy
The following tables detail the Group's and Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2020	Level 1 €	Level 2 €	Level 3 €	Total €
Liabilities				
Derivative financial instruments - warrants	-	-	657,739	657,739
Derivative financial instruments - options	-	-	176,234	176,234
Total liabilities	-	-	833,973	833,973

Refer to note 19 for further information on warrants and options.

The fair value hierarchy of the Group and the Company is the same.

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2020.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value due to the short-term nature of financial assets and financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments in the form of warrants and options have been valued using binomial option pricing model. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. Refer Note 32 for the inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in fair value measurements during the year.

Note 27. Contingent liabilities

Neither the Group nor the Company had any contingent liabilities as at 31 December 2020 and 31 December 2019.

Note 28. Commitments

	Consolidated		**Company**	
	2020 **€**	**2019** **€**	**2020** **€**	**2019** **€**
*Capital commitments**				
Committed at the reporting date but not recognised as liabilities, payable:				
Property, plant and equipment (satellite and launch)	1,573,433	295,900	1,573,433	295,900

* The capital expenditure in relation to property, plant and equipment represents the Group's contract for the Satellite procurement and launch services.

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Note 29. Related party transactions

Controlling entity
Magna Parva Limited ('controlling entity') is a company incorporated in the United Kingdom which owns 15.67% of the shares of the Company (2019: 23.45%).

Subsidiaries
Interests in subsidiaries are set out in note 15.

Key management personnel
Disclosures relating to key management personnel are set out in note 30.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Company	
	2020 €	2019 €	2020 €	2019 €
Payment for goods and services:				
Payments to subsidiaries	-	-	711,137	666,944

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Company	
	2020 €	2019 €	2020 €	2019 €
Current receivables:				
Receivable from subsidiaries	-	-	7,567	754,976
Current payables:				
Payable to controlling entity	301	301	-	-
Payable to subsidiaries	-	-	71,839	-

All transactions were made on normal commercial terms and conditions, at market rates and were settled in cash.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 30. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated		Company	
	2020 €	2019 €	2020 €	2019 €
Short-term employee benefits	635,109	617,952	220,985	204,408
Share-based payments	(374,914)	747,393	(374,914)	747,393
	260,195	1,365,345	(153,929)	951,801

Note 30. Key management personnel disclosures (continued)

During the year, 9,000,000 performance rights (2019: nil) were exercised and issued as CDIs. A further 6,000,000 performance rights (2019: nil) were issued during the year. A total of 15,500,000 performance rights (2019: 11,000,000) expired during the year when the vesting conditions had not been met by the respective expiry dates. At 31 December 2020 nil performance rights (2019: 18,500,000) remained outstanding.

Note 31. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated		Company	
	2020 €	2019 €	2020 €	2019 €
Loss after income tax expense for the year	(4,868,238)	(3,503,298)	(5,697,558)	(2,849,375)
Adjustments for:				
Net fair value loss on financial assets	540,998	-	540,998	-
Share-based payments	(330,061)	747,393	(330,061)	747,393
Foreign exchange differences	(420)	(1,082)	-	-
Depreciation	43,214	60,835	43,214	60,835
Interest on convertible notes	746,578	208,871	746,578	208,871
Change in operating assets and liabilities:				
Decrease in trade and other receivables	313,975	4,200	313,975	4,200
Decrease in prepayments	1,329,404	-	1,328,660	-
Decrease/(increase) in other operating assets	119,007	(1,351,709)	120,970	(1,350,503)
Decrease in trade and other payables	(2,232,308)	(384,190)	(2,208,185)	(384,639)
Increase in derivative liabilities	833,973	-	833,973	-
Decrease in other operating liabilities	(5,509)	(725,343)	(5,509)	(734,931)
Net cash used in operating activities	(3,509,387)	(4,944,323)	(4,312,945)	(4,298,149)

Non-cash investing and financing activities

	Consolidated		Company	
	2020 €	2019 €	2020 €	2019 €
Additions to the right-of-use assets	-	88,107	-	88,107
CDIs issued on acquisition of plant and equipment	246,100	-	246,100	-
CDIs issued on conversion of performance rights	355,181	-	355,181	-
	601,281	88,107	601,281	88,107

The addition to Assets in progress is mainly from non-cash items being the reduction in prepayments, issuance of CDIs and other non-cash elements.

Note 31. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Winance loan €	Luxembourg Ministry of the Economy €	Convertible notes €	Lease liabilities €	Total €
Balance at 1 January 2019	-	-	-	-	-
Leases recognised on the adoption of IFRS 16	-	-	-	83,182	83,182
Proceeds from convertible notes	-	-	1,552,840	-	1,552,840
Repayment of leases	-	-	-	(46,580)	(46,580)
Other changes non-cash	-	-	48,358	-	48,358
Balance at 31 December 2019	-	-	1,601,198	36,602	1,637,800
Proceeds from new loan	1,105,346	146,457	-	-	1,251,803
Repayment of leases	-	-	-	(36,602)	(36,602)
Redemption	1,601,198	-	(1,601,198)	-	-
Other changes non-cash	613,099	-	-	-	613,099
Balance at 31 December 2020	3,319,643	146,457	-	-	3,466,100

The changes in liabilities arising from financing activities of the Group and the Company are the same.

The Group utilised proceeds of the Winance loan to redeem the Convertible notes and pay finance costs associated with the Convertible notes and the Winance loan.

The Other changes non-cash in 2020 financing activity are proceeds of the Winance loan withheld for the payment of interest on the convertible note, and issuance fees on the Winance loan.

Note 32. Share-based payments

CDI options

Set out below are summaries of options granted to the employee and suppliers for goods and services:

2020 Grant date	Expiry date	Exercise price A$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/08/2018	17/08/2021	0.3000	4,000,000	-	(1,150,000)	-	2,850,000
06/09/2019	06/09/2022	0.4000	2,900,000	-	(1,950,000)	-	950,000
19/12/2019	19/12/2022	0.4000	725,000	-	(250,000)	-	475,000
17/07/2020	17/07/2023	0.5000	-	3,000,000	-	-	3,000,000
17/07/2020	17/07/2030	0.2000	-	540,000	-	(50,000)	490,000
			7,625,000	3,540,000	(3,350,000)	(50,000)	7,765,000
Weighted average exercise price (A$)			0.35	0.45	0.37	0.20	0.39

On 17 July 2020, the Company granted 540,000 to an employee. Except for the options granted to the employee, all other options in the above table were granted to suppliers.

The terms of the options granted to the employee during the year are as follows:
(i) 65% to vest one year from the grant date; and
(ii) 35% to vest two years from the grant date.

Note 32. Share-based payments (continued)

The other options have no vesting conditions.

2019 Grant date	Expiry date	Exercise price A$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/08/2018	17/08/2021	0.3000	4,000,000	-	-	-	4,000,000
06/09/2019	06/09/2022	0.4000	-	2,900,000	-	-	2,900,000
19/12/2019	19/12/2022	0.4000	-	725,000	-	-	725,000
			4,000,000	3,625,000	-	-	7,625,000
Weighted average exercise price (A$)			0.30	0.40	-	-	0.35

The options in the above table were granted to suppliers and have no vesting conditions.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
24/08/2018	17/08/2021	2,850,000	4,000,000
06/09/2019	06/09/2022	950,000	2,900,000
19/12/2019	19/12/2022	475,000	725,000
17/07/2020	17/07/2023	3,000,000	-
		7,275,000	7,625,000

The weighted average remaining contractual life of options outstanding at 31 December 2020 was 2.14 years (2019: 2.16 years).

Performance rights

During the year ended 31 December 2020, 6,000,000 additional performance rights were granted to employees under the Long Term Incentive Plan ('LTIP'). The performance rights vest if the vesting conditions are met before the expiry of the vesting period. If the vesting conditions are not met, the performance rights lapse. The fair value at grant date is estimated using a Monte Carlo option pricing model, taking into account the terms and conditions upon which the performance rights were granted. The contractual life of each performance right granted during the period varies from 3 months to 6 months. There is no cash settlement of the performance rights.

Set out below are summaries of performance rights granted:

2020 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised*	Expired/ forfeited	Balance at the end of the year
29/05/2018	26/03/2019	€0.0000	500,000	-	(500,000)	-	-
29/05/2018	29/11/2019	€0.0000	8,500,000	-	(8,500,000)	-	-
29/05/2018	29/05/2020	€0.0000	9,500,000	-	-	(9,500,000)	-
30/06/2020	30/09/2020	€0.0000	-	5,000,000	-	(5,000,000)	-
30/06/2020	31/12/2020	€0.0000	-	1,000,000	-	(1,000,000)	-
			18,500,000	6,000,000	(9,000,000)	(15,500,000)	-

* The 9,000,000 performance rights that vested in 2019 were exercised and issued as CDIs in 2020.

Note 32. Share-based payments (continued)

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
29/05/2018	26/03/2019	€0.0000	500,000	-	-	-	500,000
29/05/2018	29/05/2019	€0.0000	1,000,000	-	-	(1,000,000)	-
29/05/2018	29/11/2019	€0.0000	18,500,000	-	-	(10,000,000)	8,500,000
29/05/2018	29/05/2020	€0.0000	9,500,000	-	-	-	9,500,000
			29,500,000	-	-	(11,000,000)	18,500,000

Set out below are the performance rights vested at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
29/05/2018	26/03/2019	-	500,000
29/05/2018	29/11/2019	-	8,500,000
		-	9,000,000

The weighted average remaining contractual life of performance rights outstanding at 31 December 2020 was nil years (2019: 0.21 years).

Valuation of options granted

Fair value determined at the grant date is recorded as an expense using the straight-line method over the vesting period and adjusted for the effect of non-market based vesting conditions. Where the fair value calculation requires modelling of the Company's performance against other market indices, fair value is measured using the Monte Carlo pricing model to estimate the forecast target performance goal for the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, and behavioural considerations. In addition, the expected annualised volatility has been set by reference to the implied volatility of options available on Kleos Space S.A. shares in the open market, as well as historical patterns of volatility.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	CDI price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
17/07/2020	17/07/2023	A$0.3100	A$0.5000	88.30%	0.00%	0.87%	A$0.120
17/07/2020	17/07/2030	A$0.3100	A$0.2000	88.30%	0.00%	0.87%	A$0.230

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Share-based payments

	Consolidated 2020 €	Consolidated 2019 €	Company 2020 €	Company 2019 €
Options	44,853	-	44,853	-
Performance rights	(374,914)	747,393	(374,914)	747,393
Total share-based payment expense	(330,061)	747,393	(330,061)	747,393

Note 33. Events after the reporting period

Subsequent to the reporting date:

1) The Winance facility was repaid on 18 February 2021.

2) 30,000 options were exercised on 28 January 2021 for A$9,000.

3) 50,000 options were exercised on 16 February 2021 for A$15,000.

4) 550,000 options were exercised 18 February 2021 for A$165,000.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Report of the Réviseur d'Entreprises Agréé

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Independent auditor's report

To the Shareholders of
Kleos Space S.A.
26, rue de Gaulois,
Luxembourg L-1618

Report on the audit of the consolidated and company financial statements

Opinion

We have audited the consolidated and company financial statements of Kleos Space S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company statement of financial position as at 31 December 2020, and the consolidated and company statement of profit and loss and other comprehensive income, the consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and the notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and company financial statements give a true and fair view of the consolidated and company financial position of the Group and the Company as at 31 December 2020, and of its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated and company financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated and company financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material uncertainty related to going concern

We draw your attention to Note 2 of the financial statements, which indicates the existence of uncertainties of when the Company will commence the generation of revenue due to an extended pre-operation commissioning phase of the satellites subsequent to year-end. These events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of the audit of the consolidated and company financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Eligibility of capitalized cost and impairment requirements

Kleos Space S.A. has assets under construction for a total value of 5.4 MEUR, including Cluster 1 satellites for 4.1 MEUR and Cluster 2 satellites amounting to 1 MEUR classified under assets under construction. During the year the Company has capitalised expenditure for an amount of 1,5mEUR for cluster 1 and cluster 2.

As at 31 December 2020, the Cluster 1 is in testing phase, indicating a risk that the asset may not be able to meet its intended capability requirements as intended by the management. The valuation of satellites might be impacted by events and unfavourable market developments that may decrease future revenue, as stated in note 16 of the financial statements.

Due to size of the balance and judgement involved in the capitalization criteria under IAS 16 "Property, plant and equipment" and risk of impairment of satellites in accordance with IAS 36 "Impairment of Assets", we considered this area to be a key audit matter.

How our audit addressed the Key audit matter

Our procedures included amongst others:

- Regarding capitalization, obtaining an understanding of the Company's process for assessing whether prepayments for satellite construction and launch has met all capitalization criteria in accordance with IAS 16 "Property, plant and equipment".
- Reviewing and testing a sample of expense capitalized during the year in order to assess if the capitalized expenses included costs directly attributable to bringing the satellites to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Management inquiries in relation to the nature of expenses capitalized and management's assessment over the technical feasibility of satellites and ability to generate future economic benefits.
- Obtaining and reviewing the documentation related to milestone completion of Cluster 2 satellites.

- Regarding impairment, obtained client's financial model, testing assumptions, evaluating the forecasted revenue and costs assumptions of management and benchmarking client's expectations considering significant developments during the forecast period.
- Discussing with Management and the engineering team about any satellite health issues and results of ongoing testing phase of Cluster 1.
- Involving our valuation experts and validating the methodology to derive the value in use of satellites and weighted average cost of capital used in the management's assessment.
- Assessing the adequacy of the disclosure in Note 16 to the consolidated and company financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated and company financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the consolidated and company financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated and company financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the Board of Directors is responsible for assessing the Group's and 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 Board of Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the consolidated and company financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated and company financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of “réviseur d’entreprises agréé” to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of “réviseur d’entreprises agréé”. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Directors' report is consistent with the consolidated and company financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 26 February 2021