

ASX RELEASE

30 April 2021

Kleos Space Q1 2021 Activities Update and Outlook

Strong commercial progress; with data delivery and revenue generation imminent; second satellite cluster on track for mid-2021 launch

Highlights:

- **Commercial progress including distribution agreement with US Government specialist Carahsoft.**
- **Demand continues to increase for Kleos' radio frequency geolocation data.**
- **Leadership growth with Vincent Furia joining global engineering team as a US-based Technical Director.**
- **Kleos data processing, management and subscriber access and fulfilment systems progressed for operational use.**
- **Scouting Mission (KSM1) satellites in test & transition to commercial operations**
- **Polar Vigilance Mission (KSF1) satellites pass technical milestones, on track for mid-2021 launch.**
- **Kleos third satellite cluster; Polar Patrol Mission (KSF2) development in progress, for a SpaceX Falcon 9 launch scheduled for end 2021 under contract with rideshare provider Spaceflight Inc.**

Kleos Space (**ASX: KSS, Frankfurt: KS1**) (**Kleos or Company**), a space-powered Radio Frequency Reconnaissance data-as-a-service company, provides the following update for the quarter ending 31 March 2021 (Q1 2021), along with its Appendix 4C cash flow report.

Commenting on the Company's progress over Q1 2021, Kleos Space CEO Andy Bowyer said, "Kleos has had a productive start to 2021, with in-orbit commissioning and testing of our Scouting Mission satellites as well as the development of the complex data processing and subscriber management systems required to fulfil our contracts ahead of data delivery and revenues in Q2 2021, and progressing the development and launch of our second and third satellite clusters. Our growing constellation increases the capability and value of our geospatial data products, improving coverage over multiple key areas of interest to generate new datasets and tiered licensing options for subscribers.

In addition to our technical progress, we remain focused on commercialisation as we transition to our operational model of a Data-as-a-Service provider with scalable recurring revenues. Data delivery from our Scouting Mission satellites will provide us with an initial data product and we are continuing to build our subscriber pipeline. We have a large and growing addressable market with overall

geospatial technologies expected to reach \$549 billion¹ by 2025. Our independent intelligence data provides governments and commercial entities with intelligence, surveillance and reconnaissance (ISR) capabilities, enhancing the detection of illegal activity such as border and security challenges, piracy, drug smuggling and illegal fishing and providing a level of access hitherto unavailable to most of the defence and security sector worldwide.

Demand for our global maritime intelligence data is being driven by the high financial, societal and environmental costs of illegal activity at sea, and the ongoing challenges of policing large coastlines and international waters. Our global geolocation data can be used to validate or tip and cue other government or commercial datasets and has broad applications within defence and security, maritime intelligence, insurance, regulatory and environmental sectors.”

COMMERCIAL PROGRESS

Kleos is now putting evaluation and initial integration contracts in place with dozens of customers and integrator partners around the world to prepare for the initial delivery of data from KSM1. These contracts include extensions that can be exercised after an evaluation period with a subscription pricing agreement. The Company is also starting to see multiple governments and other customer organizations start to develop and issue RFI’s and RFP’s that include requirements for the collection and analysis of RF data. Kleos is responding to these solicitations with white papers and direct responses, which we anticipate will lead to multiple awards and initial subscription contracts in the third and fourth quarters. We continue to see strong interest in evaluating Kleos data from defence entities, naval forces, coast guard and border control agencies, as well as national security agencies in many countries.

Distribution agreement with Carahsoft

In April, Kleos’ US subsidiary signed a multi-year distribution agreement with leading US Government IT solutions provider Carahsoft Technology Corporation. The agreement provides Kleos with direct access to Carahsoft’s US federal, state and local government contracts, including the General Services Administration schedule, NASA’s Solution for Enterprise-Wide Procurement (SEWP), Federal Information Technology Acquisition (FITARA), and ITES-SW2 - which supplies enterprise IT infrastructure for the US Army and Department of Defense.

Activity with Carahsoft to promote the activity through a dedicated microsite, customer webinar and marketing materials are in progress.

Kleos Space CRO Eric von Eckartsberg said, “Globally, the US is the largest market for Geospatial Intelligence and Reconnaissance data and we are actively targeting more than 30 Government customers in the region. Our partnership with Carahsoft, one of the most successful technology providers in the country, will enable our independent geolocation data to be incorporated into solutions for multiple US government sectors.”

DATA-AS-A-SERVICE METRICS

Kleos’ radio frequency geolocation data will be sold as-a-service with qualified governments and commercial entities able to purchase single user, team, or enterprise data licenses. The data-as-a-

¹ Global Geospatial Solutions Market Report 2019-2025 | \$549 Billion by 2025 - ResearchAndMarkets.com



service business model enables Kleos to effectively service a large and growing subscriber base without significantly increasing base operational expenses.

Kleos will initially introduce new subscribers using data sourced from its four Scouting Mission satellites. As the company launches new satellite clusters, subscribers will be able to increase the 'areas of interest' they can access as well as reduce revisit rates over these areas by purchasing data from more clusters. This approach will facilitate the increase of potential monthly revenue from existing subscribers. Subscribers will be able to access Kleos' data, however, they will not own it, with shareability and historical data access costing users more.

Like SaaS (Software as a Service) companies, Kleos' Data-as-a-Service business model will generate recurring revenue. The Company's initial commercialization strategy is to allow subscribers to evaluate the Company's data and services at an introductory price representing a fraction of the full monthly cost.

The Company has already entered into contracts, agreements and discussions with subscribers from the pipeline of 160+ opportunities to evaluate its data and services, and is targeted to have 50 active subscribers (being subscribers who have completed the evaluation phase and entered into contracts at commercial rates) by year end.

Subject to completion of the commissioning of the Scouting Mission, launch and commissioning of the Company's second cluster (anticipated in mid-2021) and pricing at commercial rates for its launch of (initial) data products comprising the first and in part second clusters of satellite collected data and following successful customer evaluations, the Company's targeted annualized revenue entering into 2022 is approximately US\$7m².

With the launch of the Company's third cluster (which is expected to occur in late 2021), the Company is positioned to capture both a greater number of subscribers and increased average pricing as its datasets expand in 2022. The number of subscribers and average pricing are both projected to continue increasing for enhanced data products following further constellation expansion.

TECHNICAL DEVELOPMENT

Data

In preparation for entering fully commercial operations with data from Kleos Scouting Mission (KSM1) in Q2 '21, Kleos is testing integration and the many systems that build the data products to enable access and subscription fulfilment. The system which supports the ingestion and storage of satellite data as well as the processing and dissemination of this data to customers requires Kleos development & implementation of the following components:

- * Mission Data System (MDS) which is responsible for retrieving mission data from the Mission Operations Centre as it is retrieved from the satellite clusters through the Ground Station Network. The system stores the data for archival purposes using the Data Storage System and passes the data to the Signal Processing System for geolocation.

² The forward looking statements relating to targets involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements, expressed or implied by these forward-looking statements. Relevant factors may include, but are not limited to, technical and launch delays, foreign exchange fluctuations and general economic conditions, increased costs, the risk and uncertainties associated with space technology, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation. For further information as to the risks which may impact the Company's results and performance, please see the risk factors included in the Prospectus lodged with ASX in August 2018

* Data Storage System (DSS) that provides the software and hardware to manage interfaces that enable hot and cold storage & archival of the (petabyte scale) volumes of both raw and processed data generated by the system. Kleos has procured significant datacentre resources for the secure storage and access to its data products.

* Signal Processing System (SPS) that receives data from the MDS. Once sufficient data is acquired for processing, Kleos' proprietary algorithms perform geolocation to produce the signal processing product (including both location and dilution of precision) of the captured areas. The processing outputs are retained and made available to customers using the DSS.

* User Data Management System (UDMS) which is responsible for providing authentication and authorization of customer requests in line with industry best practices. The authorization component ensures customers have secure access to all data (locations, times, and durations) for which they have contracted.

* Customer API (CAPI) providing the customer with a functional interface to access data products based upon the customer's authorization provided by the UDMS. Data products will be accessed through a Representational State Transfer (REST) API for client-driven requests and through a WebSocket API for event-driven notifications.

In-line with its Product Roadmap Kleos has released technical product descriptions, and Application Programming Interface (API) Interface Control Document (ICD) for the two RF Intelligence, Surveillance, and Reconnaissance (ISR) data products that will be initially available. Guardian Locate is a geolocation intelligence (GEOINT) product that is fully processed, analytic ready, and designed for ease of use and seamless integration into existing Geospatial tools and workflows.

First satellite cluster, Kleos Scouting Mission (KSM1) at milestone

Launched into a 37-degree low earth orbit, the Kleos Scouting Mission (KSM1) satellites are the World's first four satellite cluster flown in a formation targeting a precision geolocation capability. The satellites are being used to set up the many Space and ground segments for the Company and will provide coverage over key areas of maritime interest, such as the Strait of Hormuz, South China Sea, East and West Africa, and the Southern Sea of Japan. The satellites detect and geolocate radio frequency activity to improve the detection of hidden and illegal activity, and are able to detect transmissions, independent of other systems, even in instances when the Automatic Identification System (AIS) is defeated, imagery is unclear, or targets are out of patrol range.

Post quarter, the KSM1 cluster of satellites:

- Are transitioning from GomSpace commissioning, test, and calibration to their operational state with Kleos Mission Operations Team.
- Formation in transition from that used for systems commissioning to the operational formation (note; the formation of the satellites is not static; they are in constant motion in relation to each other)
 - KSM1-b and KSM1-c are in station keeping/operational position, with KSM1-a and KSM1-d in a parking orbit (an orbit where time must pass to reach the desired final position)

- The formation deployment is highly complex – with the 4 satellite across and along track positioning designed to optimise the independence of approach vector from target location at the areas of highest commercial interest. The cluster enables up to 6 antenna pairs to be used in Kleos proprietary multilateration algorithms – to positively influence dilution of precision and data accuracy.

Polar Vigilance satellites pass Integration Readiness Review

The development of the second Kleos satellite cluster, the Polar Vigilance Mission (KSF1), is on track for a mid-2021 SpaceX launch after successfully completing Integration Readiness Review, and the satellites start the build process with satellite builder ISISPACE.

Specialising in small satellite solutions, Netherlands-based ISISPACE has more than 15 years' experience in the design, manufacture, and operation of nanosatellites.

The four Polar Vigilance nanosatellites are in the assembly and testing phase in preparation for final acceptance. Kleos' satellites will then be delivered to the launch site for integration into the SpaceX Falcon 9 launch vehicle.



Figure 1: KSF1a Satellite Component Assembly

The KSF1 Polar Vigilance Mission satellites are scheduled for a mid-2021 launch onboard a SpaceX Falcon 9, under a rideshare contract with Spaceflight Inc. The KSF1 satellites will launch into a 500-600km Sun Synchronous orbit, increasing Kleos' coverage to the north and south of the 37° inclination of the Scouting Mission satellites.

Kleos Space CTO Miles Ashcroft said, "Development of the KSF1 cluster is progressing at an incredible pace with delivery to site planned for the end of May. Kleos is leveraging the experience and enthusiasm of its satellite builder, Netherlands-based ISISPACE, to develop and deliver quickly as well as improve hardware and software capability. We are growing our constellation rapidly in 2021 with

a further cluster scheduled for launch towards the end of the year. Every satellite cluster launched increases the ground covered and the time covered, thus, the value of our radio frequency geolocation data increases, enabling tiered subscription licences for governments and commercial entities to be offered.”

Third satellite cluster development in progress scheduled for end 2021 launch

Kleos and Innovative Solutions in Space B.V. (ISISPACE) have developed the design specification and are constructing the end to end programme to build and support, the Polar Patrol Mission (KSF2) (ISISPACE are also currently building Polar Vigilance satellites (KSF1)), that are booked on a SpaceX Falcon 9 launch scheduled for end 2021 under contract with rideshare provider Spaceflight Inc. growing the constellation further.

The four KSF2 Polar Patrol Mission satellites will launch into a 500-600km Sun Synchronous orbit, complementing KSM1 and KSF1 satellite clusters increasing cover of areas of interest.

CORPORATE DEVELOPMENT

New senior executive appointment in US engineering office

Kleos US subsidiary, Kleos Space Inc., has appointed experienced satellite software and systems engineer Vincent Furia as Technical Director.

Highly experienced, Mr Furia was previously Space Operations Director at nanosatellite operator Spire Global, where he was responsible for managing a constellation of more than 100 satellites and 30 ground stations. He brings more than eight years’ program and project management experience to Kleos and has 15 years’ expertise in software and systems engineering, including 11 years at global aerospace and defence technology innovator Harris Corporation.

Mr Furia’s appointment follows the establishment of Kleos’ Denver engineering office in January and builds on the recent preparation for commercialisation of its radio frequency geolocation intelligence data with the previous US-based appointments of Chief Revenue Officer Eric von Eckartsberg, Product Manager Guillermo Gutierrez and Sales Executive Alex Johnson. Kleos has engineering offices in Denver CO, the UK and Luxembourg.

Targeting operational excellence

In order to execute, in 2021 Kleos is putting in place the foundations for scalable, sustainable and rapid growth. Within the quarter operational systems and processes that facilitate customer, stakeholder, partner and employee satisfaction have progressed with:

- A first all-hands company town hall executed, further town halls are being scheduled on quarterly basis moving forward.
- The Company operational and engineering data being transferred to a new system that enables NIST compliance and improve our security in eyes of customers.
- Customer integration processes and procedures being implemented along with creation of standard sales Terms & Conditions for the data products.
- The introduction of global Health & Safety systems for all facilities and employees
- An employee performance management system put in place to help with personal development and ensure alignment with Company objectives.

- The development of a global recruitment plan to facilitate rapid Company growth in a managed way.

US Roadshow

Post lodgement of the presentation deck with ASX on 11 March 2021, management commenced a multi-week non-capital raise roadshow to tell the Kleos story. The key objective was to increase awareness among US-based institutional investors and influential research analysts, portfolio managers, bankers, industry experts and key journalists. Management described the Company's differentiated RF data-as-a-service model, technology, and useful applications to many firms, with follow-up meetings continuing. The presentations were well-received, resulting in heightened awareness of Kleos and the space ISR sector among U.S. investors as well as invitations to participate in future space-industry conferences within one of the world's most sophisticated space industries.

Public engagement

- On 28 April Kleos participated at the inaugural Bell Potter Decoded conference: <https://www.youtube.com/watch?v=7n7zzSC4xyk>
- Kleos social media campaign is predominantly delivered via LinkedIn, to follow the Company's activities: https://www.linkedin.com/company/kleos_space/
- In addition to multiple media articles in the quarter, Kleos was also featured on Sky News & RTL News television outlets.
- Kleos will participate at Satellite21 show in Washington DC on 7 to 10 September: <https://www.satshow.com/>

FINANCIALS

Comment on Appendix 4C

The aggregate amount of payments to related parties and their associates included in item 6.2 in the Appendix 4C is for financing of staff and administrative costs paid through 100% owned subsidiaries Kleos Space Ltd. & Kleos Space Inc.

The Appendix 4C does not include project derived revenues of \$US180,000 within the quarter, cash received post quarter end.

Repayment of loan facility

On 23 February, Kleos announced it had repaid a €3.41 million (approximately A\$5.5 million) secured loan in full with Dubai-based family office Winance that the Company entered into on 18 February 2020 (ASX Announcement 18 February 2020).

Q1 2021 Cash Flows

The Appendix 4C quarterly cashflow report for Q1 2021 is attached. Cash and Cash Equivalents were EUR5.7 million (A\$8.7 million) at 31 March 2021. Total cash flow in the quarter was EUR5.2 million (A\$8.4 million), after a net operating cash outflow of EUR0.9 million (A\$1.4 million). The following is a Summary of Receipts and Expenditures for the March Quarter 2021 business activities (refer also accompanying ASX Appendix 4C):

(EUR'000)	Mar Qtr	Year to date (3 months)
Receipts from customers	nil	nil
Product manufacturing and operating costs	(95)	(95)
Research and development	(10)	(10)
SG&A (Corporate Overhead)	(808)	(808)
Investing Activities	(952)	(952)
Financing payments / receipts	(3,289)	(3,289)
Other	3	3

OUTLOOK

In the coming quarter, Kleos will commence generating early adopter subscription revenues from the release of its initial data products, further supporting the Company's existing cash and equivalents balance of EUR5.7 million (A\$8.7 million).

Development of the Company's second and third satellite clusters remain on track, targeting mid-2021 and December 2021 launches, respectively. These launches will increase Kleos' product offering, with the Company targeting 50 data subscribers by the end of 2021.

This announcement has been approved for release by the Board of Kleos Space.

- ENDS -



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About Kleos Space S.A.

Kleos Space S.A. (ASX: KSS) (Frankfurt: KS1) is a space enabled, activity-based intelligence, data as a service company based in Luxembourg. Kleos Space 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 Scouting Mission will deliver targeted daily services with the full constellation delivering near-real-time global observation. For more information please visit: www.kleos.space.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Kleos Space S.A.

ABN

625 668 733

Quarter ended ("current quarter")
March 31st 2021

Consolidated statement of cash flows	Current quarter EURO'000	Year to date (3 months) EURO'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-10	-10
(b) product manufacturing and operating costs	-95	-95
(c) advertising and marketing	-55	-55
(d) leased assets		
(e) staff costs	-221	-221
(f) administration and corporate costs	-405	-405
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-105	-105
1.6 Income taxes paid	-22	-22
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	-913	-913
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-448	-448
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (3 months) EURO'000
2.2	Proceeds from disposal of: (a) entities (b) businesses (c) property, plant and equipment (d) investments (e) intellectual property (f) other non-current assets		
2.3	Cash flows from loans to other entities	-504	-504
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-952	-952

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	121	121
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	-3,410	-3,410
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-3,289	-3,289

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,779	10,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-913	-913
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-952	-952

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (3 months) EURO'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-3,289	-3,289
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	5,628	5,628

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter EURO'000	Previous quarter EURO'000
5.1	Bank balances	5,628	10,779
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,628	10,779

6.	Payments to related parties of the entity and their associates	Current quarter EURO'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	504
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end EURO'000	Amount drawn at quarter end EURO'000
7.1 Loan facilities	146	146
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
The company has received a loan of €146,456.98 from the Luxembourg government. The loan bears interest at 0.5% and the repayment terms are not yet agreed.		

8. Estimated cash available for future operating activities	EURO'000
8.1 Net cash from / (used in) operating activities (item 1.9)	913
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,628
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	5,628
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.2
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:30/04/2021.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.