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TECHNI-MODUL ENGINEERING
Société par Actions Simplifiée

***Independent auditor's report on consolidated
financial statements***

For the year ended December 31st 2018

TECHNI-MODUL ENGINEERING

Société par Actions Simplifiée au capital de 1.683.308,40 €

Zone Artisanale de Pérache

63114 COUDES (France)

RCS CLERMONT-FERRAND 421 290 032

TECHNI-MODUL ENGINEERING – TME INDEPENDENT AUDITOR'S REPORT

For the year ended December 31st 2018 (compared to the year 2017)

To the shareholders of TME Company,

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of TME Company and its subsidiaries (the Group) as at December 31st 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

We have audited the financial statements of the Group, which comprise the consolidated statement of financial position as at December 31st 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group within the meaning of the Code of Ethics for professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code) and have fulfilled our other 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.

Going concern

The consolidated financial statements of the Group have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. As part of our audit of the consolidated financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Group's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and accordingly none is disclosed in the consolidated financial statements of the Group. Based on our audit of the consolidated financial statements of the Group, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Group's ability to continue as a going concern.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Nîmes, April 16th 2019

The independent auditor,

RSM FRANCE

French member of RSM International



Sébastien Beaugrand
Partner

-I- FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	December, 31 2018	December, 31 2017
NON CURRENT ASSETS		
Goodwill	-	-
Intangible assets	1 357 091	1 828 147
Tangible assets	152 909	177 074
Other non current assets	246 895	247 310
Deferred tax assets	-	-
Total non current assets	1 756 895	2 252 531
CURRENT ASSETS		
Inventories	88 053	47 684
Accounts receivable	4 329 426	1 561 040
Other receivables and prepaid expenses	614 398	591 688
Cash cash equivalents	254 442	139 628
Total current assets	5 286 319	2 340 040
Total assets	7 043 214	4 592 571

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	December, 31 2018	December, 31 2017
EQUITY		
Share capital	1 683 308	1 480 552
Share premium	0	0
Retained earnings	-1 532 392	-44 375
Net income or loss of the period	361 220	-1 545 314
Equity attributable to owners of the parent	512 136	-109 137
<i>Non-controlling interests</i>	<i>-102 851</i>	<i>-70 900</i>
Total equity	409 285	-180 037
LIABILITIES		
Convertible bonds	1 531 932	1 685 255
Long term borrowings	1 256 171	1 248 140
Long term provisions	290 818	161 804
Investment subsidies	135 786	181 579
Total non Current Liabilities	3 214 707	3 276 778
Current debts	48 603	132 944
Short term borrowing	1 050 581	43 672
Accounts payable and related payable	1 207 673	707 050
Other current liabilities	1 112 365	612 164
Total current Liabilities	3 419 222	1 495 830
Total liabilities	6 633 929	4 772 608
Total equity and liabilities	7 043 214	4 592 571

CONSOLIDATED STATEMENT OF INCOME

	December, 31 2018 December, 31 2017	
Revenue	6 791 207	3 561 579
Purchased raw material and goods	- 1 368 998	- 1 017 245
Payroll expenses and social security contributions	- 1 711 449	- 1 997 352
Other purchases and external expenses	- 2 562 974	- 1 636 193
Taxes and related payments	- 87 627	- 84 066
Fixed assets amortization	- 557 395	- 461 871
Provision variations	29 354	323 613
Other expenses	- 90 030	- 89 732
Operating profit	442 088	- 1 401 267
Other operating incomes & expenses	69 791	- 3 605
Financial income		-
Finance costs	- 178 225	- 154 507
Income tax	- 191	- 1 584
Net income	333 463	- 1 560 963
Group net income	361 220	- 1 545 314
Non controlling interests	- 27 757	- 15 648

OTHER COMPREHENSIVE INCOME	December, 31 2018 December, 31 2017	
Profit for the year	333 463	- 1 560 963
Other Comprehensive Income :		
Actuarial gains (losses) on defined benefit plans	2 260	- 10 818
Other Comprehensive Income for the year, net of tax	2 260	- 10 818
of which to be recycled in income statement	-	-
of which not to be recycled in income statement	2 260	- 10 818
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	335 723	- 1 571 781
Attributable :		
▪ to owners of the parent	363 480	- 1 556 133
▪ to no-controlling interests	- 27 757	- 15 648

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

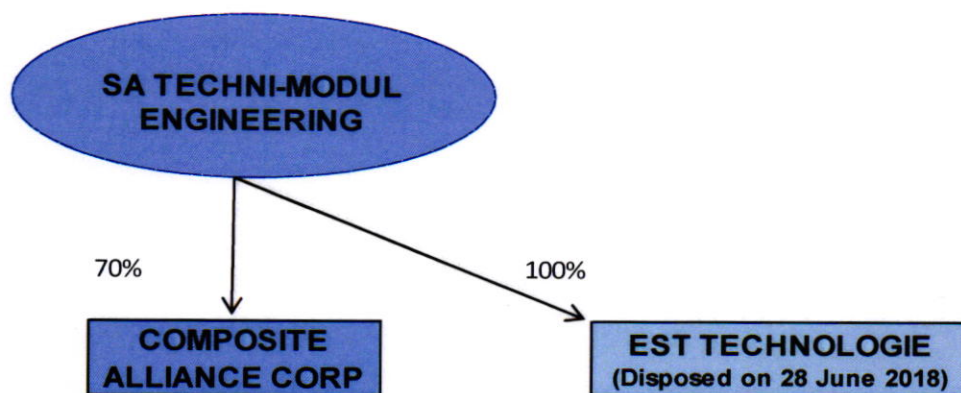
OWNER'S EQUITY	Share capital	Share premium	retained earnings	net income or loss	Total group	Non-controlling interests	Total equity
Balance at 1 January 2017	1 480 552	-	610 683	571 080	1 440 949	- 63 788	1 377 161
Issue of ordinary shares	-	-	-	-	-	-	-
Convertible bonds	-	-	64 428	-	64 428	-	64 428
Dividends	-	-	-	-	-	-	-
Allocation earnings	-	-	571 080	- 571 080	-	-	-
Total income of the year	-	-	-	- 1 545 314	- 1 545 314	- 15 648	- 1 560 962
Impact of change in accounting policy	-	-	-	-	-	-	-
Other variations	-	-	7 800	-	7 800	8 537	16 337
Balance at 31 December 2017	1 480 552	-	32 625	- 1 545 314	32 137	- 70 900	103 037
Impact of change in accounting policy IFRS 15	-	-	77 000	-	77 000	-	77 000
Balance at 31 December 2017 after IFRS 15	1 480 552	-	44 375	- 1 545 314	109 137	- 70 900	180 037
Issue of ordinary shares	-	-	-	-	-	-	-
Convertible bonds	202 756	-	62 244	-	265 000	-	265 000
Dividends	-	-	-	-	-	-	-
Allocation earnings	-	-	- 1 545 314	1 545 314	-	-	-
Total income of the year	-	-	-	361 220	361 220	- 27 757	333 463
Impact of change in accounting policy	-	-	-	-	-	-	-
Other variations	-	-	4 947	-	4 947	- 4 194	9 141
Restated balance at 31 December 2018	1 683 308	-	- 1 532 392	361 220	512 136	-102 851	409 285

CONSOLIDATED STATEMENTS OF CASH FLOWS

OPERATING ACTIVITIES	Year to 31 December 2018	Year to 31 December 2017
Consolidated net income	333 463	- 1 560 963
Depreciation, amortization and provisions	642 863	178 031
Change in fair value		-
Gain or loss from the sale of the assets	7 881	41 246
Income from equity affiliates		-
change in working capital requirement	- 1 834 225	1 354 358
Changes in inventories	- 40 369	- 8 564
Changes in trade and other receivable	- 2 794 685	2 293 454
changes in trade and other payable	1 000 829	- 930 532
Net cash from operating activities	- 850 018	12 672
INVESTING ACTIVITIES		
Acquisition of intangible assets	- 17 432	- 107 865
Acquisition of tangible assets	- 61 320	- 38 291
Proceeds from sale of intangible and tangible assets	19 759	5 500
Acquisition of financial assets	- 18 750	- 2 701
Proceeds from sale of financial assets		-
Acquisition of subsidiary, net of cash acquired	10 723	-
Dividends from equity accounted investees		-
Net cash used by investing activities	- 67 020	- 143 357
FINANCING ACTIVITIES		
Proceeds from issue of share capital	265 000	-
Proceeds from issue of convertible bond (Equity part)		64 428
Dividendes paid		-
Proceeds from invest subsidies		- 37 395
Proceeds from new convertible bonds	100 426	546 456
Proceeds from new borrowings	65 348	483 214
Repayment of convertible bonds	- 265 000	-
Repayment of borrowings	- 150 841	- 83 355
Partners' current accounts variation	20 436	20 108
Net cash used by financing activities	35 369	993 456
Effect of exchange rate fluctuations on cash held	- 10 426	4 202
Net (increase) decrease in cash and cash equivalent	- 892 095	866 973
Cash and equivalents, beginning of period	95 956	- 771 016
Net decrease in cash and cash equivalent	- 892 095	866 973
Cash and equivalents, end of period	- 796 139	95 957

-II- NOTES OF THE CONSOLIDATED COMPAGNIES

-1- LIST OF CONSOLIDATED COMPANIES



The consolidating company

Name	Head office	Département	N° id
SA TECHNI-MODUL ENGINEERING	ZA DE PERACHE 63114 COUDES FRANCE	Puy de Dôme	42129003200034

Fully consolidated subsidiaries :

Nom	Siège	Share number	*shares held	%held	% interest
COMPOSITE ALLIANCE, Corp	1251 AV OF THE AMERICA 3F NEW YORK	2 000	1400	70.00	70.00

Subsidiaries, over which SA Techni-Modul-Engineering (TME) exercises exclusive control, either directly or indirectly, are fully consolidated.

Companies that are not controlled by TME but over which the Group exercises significant influence, as well as joint arrangements (within the meaning of IFRS 11), are accounted for using the equity method.

The minority shareholders' portion is stated in the shareholders 'equity under « minority interest »

-2- MAIN CHANGES IN THE SCOPE OF THE CONSOLIDATION

At the acquisition date:

- identifiable assets, liabilities and contingent liabilities meeting IFRS criteria are recognized at fair value;
- non-current assets classified as held for sale are measured at fair value less costs to sell.

Goodwill is the difference between:

- consideration transferred, plus the value of any non-controlling interests; and

- The fair value of net identifiable assets acquired and liabilities assumed.

EST TECHNOLOGIE has been disposed on 28 June 2018 for 31 000 €. The company net equity amounting to 41 141 € as of December 31, 2017, this has resulted in a loss of 10 141 € posted in the other expenses caption.

-3- METHOD OF TRANSLATING FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The Group's consolidated financial statements are presented in euros.

Translation of foreign subsidiaries' financial statements

The balance sheets of companies whose functional currency is not the euro are translated into euros at the exchange rates effective at the reporting date. Income statement and cash flow statement items are translated at the average exchange rate for the financial year. Foreign currency translation differences are recognized directly in shareholders' equity in the line item "other variations".

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity. Accordingly, they are reported in the entity's functional currency and translated at the exchange rate effective at the reporting date.

Transactions in foreign currencies

Transactions in foreign currencies are recognized at the exchange rates effective at the transaction dates. Assets and liabilities in foreign currencies are translated using the exchange rate effective at the reporting date.

The corresponding foreign currency translation gains and losses are recognized in the income statement, under:

- operating income for commercial transactions;
- financial income and expense for financial transactions.

-4- CLOSING DATE

The consolidated accounts are closed as of December 31, 2018.

The duration of the year ended 31 December 2018 is 12 months.

All consolidated companies close their financial year at 31 December.

III- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -

I. NATURE OF OPERATIONS

Techni-Modul-Engineering (TME) is specialized in industrial turn-key solutions for the production of composite parts. TME provides custom products and services according to specifications and final applications. TME works closely with their clients to offer support and advice in defining the best practices and solutions for each project.

II. BASIS OF PREPARATION

TME is a company incorporated in France and subject to French laws and regulations governing commercial companies, including the provisions of the French Commercial Code.

Statement of compliance

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) that is endorsed for use in the European Union.

They have been prepared under the assumption that the Group operates on a going concern basis for the following reasons:

- The forecasted sales of the TME Group are estimated at M€10 for 2019. The main shareholder of the company, Malchemy Corporation (replacing Comtec) is supporting financially the company and has confirmed in a comfort letter that it will support TME for its financial needs for the twelve coming months (increase of working capital, specific need, etc.)

Changes in accounting policies

In 2018, the Group implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

The Group has also implemented various other minor amendments to existing standards and interpretations, which have no material impact on the Group's overall results and financial position.

Concerning IFRS 15 and IFRS9, the nature and the effects of the changes most relevant to the Group's financial statements are given below.

IFRS 9 'Financial Instruments'

Effective 1 January 2018 the Group has implemented IFRS 9 'Financial Instruments'. The new standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The standard deals with the classification, recognition and measurement (including impairment) of financial instruments and also introduces a new hedge accounting model. The new standard results in an increased volume of disclosure information in the Annual Financial Statements.

The application of IFRS9 had no material impact on TME consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers'

Effective 1 January 2018 the Group has implemented IFRS 15 'Revenue from Contracts with Customers'. The new standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized, and also contains new requirements related to presentation. The core principle in the framework is that revenue should be recognized

dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services.

The objective of the standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue when or as performance obligations are satisfied.

Specifically, concerning the timing of revenue recognition, revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer. To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- The goods sold have no alternative use, and
- The Group has an irrevocable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date, in the event of termination for reasons other than TME's failure to perform as promised.

TME has performed an analysis of the main contracts signed and concluded that for its contracts activity:

- The machines sold have not alternative use since they are designed specifically for each client.
- The Group has an irrevocable right to payment.

TME identified one source of difference between previous rules and IFRS 15 concerning the capitalization of cost incurred for tenders. These costs cannot be activated under IFRS 15. The Group applied the partial retrospective method and the impacts are the following:

- Net equity and net inventories were decreased by K€.77 on the opening balance sheet as of 31 December 2017.
- If IAS18 was still applied in 2018, net profit for 2018 would have been decreased by K€.5.

Future new and revised standards

The Group will be affected by IFRS 16 « Leases » from January 1, 2019 onwards.

This standard requires lessees to recognize, for all eligible leases (those with a duration over 12 months and /or exceeding an individual value of 5 000 \$), all remaining lease payments in the form of a:

- Right-of-use asset, under non-current assets;
- Lease liability, under borrowings.

The Group elected to apply the simplified retrospective approach.

The impacts on Group's financial statements of IFRS 16 – Leases, whose first application date is 1 January 2019, are still being analyzed.

The Group does not expect any significant impact with respect to the first time application of this new standard.

The Group did not early-adopt any standards, amendments or interpretations in 2018 that are mandatory as from 1 January 2019 or that are applicable despite not having been adopted by the European Union as they do not contradict any existing standards.

III. FIRST-TIME ADOPTION OF IFRS

TME retrospectively applied to its opening balance sheet at 1 January 2016 the accounting principles effective at the reporting date following first-time adoption of IFRS as if these standards had always been applied, barring the accounting choices presented below:

IFRS 1 sets out specific measures for the retrospective treatment of assets and liabilities under IFRS. The main

choices adopted by the Group for this purpose are:

- property, plant and equipment and intangible assets: TME has chosen to use historical cost as the basis for reporting property, plant and equipment and intangible assets rather than re-measuring to fair value at the transition date;
Retirement obligations: actuarial gains and losses recognized as of 1 January 2016 have been recognized under provisions for retirement obligations, with a matching decrease in shareholders' equity. Actuarial gains and losses subsequent to 1 January 2016 are recognized prospectively;
- Foreign currency translation adjustments relating to foreign entities: TME has recognized under "consolidated reserves" all the unrealized gains and losses arising from the translation of its foreign subsidiaries' financial statements at 1 January 2016. The adjustment had no impact on shareholders' equity at 1 January 2016. The translation adjustments will not subsequently be recognized in the income statement when the foreign entities in question are deconsolidated;

The company did not produce any figures regarding the transition from previous Gaap to IFRS owing to IFRS1, since no consolidated financial statements were produced before by the Group. As such, such transition would not be relevant.

IV. PRESENTATION OF FINANCIAL STATEMENTS

Consolidated balance sheet

IAS 1 "Presentation of Financial Statements" provides for the separate presentation of current and non-current items on the balance sheet. Assets and liabilities relating to the operating cycle and those that are due within less than twelve months are presented as current items. All other assets and liabilities are recognized as non-current items.

Deferred tax assets and liabilities are recognized as non-current items.

Non-controlling interests are recorded under shareholders' equity on the consolidated balance sheet.

Consolidated statement of comprehensive income

Revised IAS 1 introduced the notion of comprehensive income, and requires that:

- changes in shareholders' equity resulting from transactions with owners acting in their capacity as owners are presented separately from transactions with non-owners;
- all income and expenses recognized in the reporting period are presented either in a single statement of comprehensive income or in two separate statements, namely: 1/an income statement and 2/a statement of other comprehensive income;
- a subtotal is included indicating whether or not changes recognized in shareholders' equity could, upon finalization, have an impact on the income statement;
- total comprehensive income is presented in the financial statements.

The Group has opted to present comprehensive income in two financial statements: a consolidated income statement and a consolidated statement of comprehensive income.

Consolidated income statement

The Group presents its income statement by type of income.

V. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro ("EUR"), which is the Company's presentation currency and is consistent with the functional currency of Techni-Modul Engineering.

VI. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash on deposit with banks, cash on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with initial maturities of three months or less.

VII. USE OF ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These assumptions mainly concern:

- Revenue recognition for contracts, which depends on the degree of progress of the project and the expected profit on completion. If necessary, provisions for losses on completion are recorded when it is probable that the total estimated costs of the contract will exceed the total expected revenues of the contract.
- the measurement of the recoverable amount of R&D assets.
- the measurement of deferred tax assets related to tax losses carried-forward.
- the accounting of convertible bonds.

VIII. IMPAIRMENT

When events or changes in the economic environment indicate a risk of impairment of nonfinancial assets, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds the recoverable amount. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in the statement of loss. The recoverable amount is the greater of its value in use and its fair value less costs to sell. A previously recognized impairment loss is reversed only if there has been a change in the estimates regarding the recoverable amount, however, any such reversal is limited to the carrying amount that would have been determined (net of depreciation) had no impairment losses been recognized for the asset in prior years.

IX. DEFERRED TAXES

The cumulative deficits of the Group amounted to 2 430 847 Euros.

IAS 12 states that deferred tax assets cannot be accounted for the carry-forward of unused tax losses to the extent it is likely that there will be future taxable profits on which the tax losses can be charged (IAS 12, § 34).

The standard adds that the existence of unused tax losses is a strong indication that taxable future benefits may not

be available. Accordingly, when an entity has a history of recent losses, she records an asset of deferred tax in respect of these tax losses insofar as it has sufficient taxable temporary differences or other indications persuasive showing that it will have sufficient taxable profits to impute the tax loss (IAS 12, § 35).

No deferred tax assets were activated in the financial statements of TME as of 31 December 2017 and 31 December 2018, considering the losses incurred in 2017, and the level of unused tax losses.

X. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Financial assets include cash and cash equivalents and deposits. Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets either held for trading or designated as such on recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy.

Financial assets classified as fair value through profit or loss are initially recognized and subsequently carried, at fair value, with changes recognized in the statement of loss.

Transaction costs are expensed when incurred. The Company has cash and cash equivalents classified in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Assets in this category include deposits.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

ii) Financial liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged and fair value for liabilities that are hedged. Non-performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the fair value of financial assets or liabilities, including derivative liabilities.

Financial liabilities primarily consist of Convertible bond loans, loans granted by credit institutions and cash credit. IAS 32 sets out the Hybrid character of the convertible bond loan (1 500 005 EUR) by distinguishing its inherent debt for 1 304 590 EUR and equity elements for 195 415 EUR.

CONVERTIBLE BOND	December, 31	December, 31
	2018	2017
Equity element	195 415	195 415
Inherent debt	1 304 590	1 569 590
Convertible bond loans	1 500 005	1 765 005

For evaluating the debt part of the convertible bonds, the company used a 8% interest rate which represent the interest rate estimated for the company to obtain a similar debt with the same characteristics.

The equity part was calculated by difference between the issue prices of the convertibles bonds and the debt part.

The two bonds have the following characteristics:

1. **Bond loan TRANCHE A : 265 000 € : Conversion in new shares done the August 31, 2018**

The bonds were issued on 9 December 2016: 11 165 bonds at 23,74 € each. The interest rate on the bonds is 3% per year. The bonds shall be redeemed in full in December 2019 at their face value plus all accrued and capitalized interest. The holders of Convertible bonds may opt to convert all or any of their Convertible bonds into new shares:

- If the pre-tax income of the audited annual accounts in French Gaap is less than EUR 600,000, conversion shall be made with a ratio of one share of EUR 18,16 nominal value for one Convertible Bond or EUR 23,74. The option may be exercised in connection with the pre-tax income for financial years ending on 31 December 2017, 31 December 2018 and 31 December 2019.
- Provided that the audited annual accounts of the issuer (TME) for the previous year show a pre-tax income of at least EUR 600,000, the holders of Convertibles bonds shall have to convert all their Convertibles Bonds into new shares of TME. In such case, conversion shall be made with a ratio of "NS" shares of EURO 18,16 for one Convertibles Bond of EUR 23,74, NS shall be determined in accordance with the following formula::

$$NS = 600\,000 / \text{Pre-tax income. This conversion have been done the August 31, 2018.}$$

2. **Bond loan TRANCHE B : 1 500 005 €**

31 915 bonds were issued at 47€ each, the interest rate on the bonds is 3% per year.

The total amount was obtained in three tranches:

- K€.1 000 in December 2016
- K€.100 in January 2017
- K€.400 in March 2017

If and only if the issuer has failed to repay the full amount of the Convertible Bonds on the maturity date, the holders of the Convertible Bonds on the Maturity date (December 2020) may opt at any time after the maturity date to convert all or any of their Convertible Bonds into new shares of the issuer. Conversion shall be made with a ratio of one share of EUR 18,16 for one convertible bond of EUR 47.

XI. NOTES TO THE BALANCE SHEET

i) Intangible assets

INTANGIBLE ASSETS	31 December 2017	variation in scope	Reclas-sifications	Increases	Reductions	31 December 2018
Development projects	3 281 407			10 283	-	3 291 690
Development projects in progress	-	-		-	-	-
Concessions, patents and similar rights	233 259	- 239		7 382	-	240 402
Gross amount	3 514 666	- 239	-	17 665	-	3 532 092
Research and development expenses	1 459 075			482 857	-	1 941 932
Research and dev expenses in progress	-			-	-	-
Concessions, patents and similar rights	227 443	- 239		5 864	-	233 068
Depreciations	1 686 519	- 239	-	488 721	-	2 175 001
Net intangible assets	1 828 147	-	-	- 471 056	-	1 357 091

Research and development costs

Research costs are expensed in the statement of income when incurred.

Development costs for new projects are capitalized if, and only if:

- the project is clearly identified, and the related costs are separately identified and reliably monitored;
- the project's technical feasibility has been demonstrated and the Group has the intention and financial resources to complete the project and to use or sell the resulting products;
- the Group has allocated the necessary technical, financial and other resources to complete the development;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Development costs that do not meet these criteria are expensed in the financial year in which they are incurred.

Capitalized development projects are amortized over the lifespan of the underlying technology, which is estimated to five years, from the date of the commercial launch.

Following the review of projects performed by the management of the Group, no impairment indicator was found on the projects activated as of 31 December 2017 and 31 December 2018.

The two main projects developed by the Group are the following:

- R023 : TME has developed a robotized cell able to create a preform made out of dry fiber materials without operator intervention during the entire cycle. The following functions were developed:
 - The unroll of the material and cutting of the different plies
 - The lay-up of the plies on the compaction mold
 - The control of the fiber orientation by intelligent automation
 - The compaction
 - The positioning of the sub-preforms on the injection mold
- R025: TME developed a range of standard and custom-designed thermoforming solutions for the fabrication of thermoplastic composites. Complete workstations can be provided including the material transport system, pre-heating ovens, forming presses, tooling and fixtures. The principal advantages of the technology are:
 - Customized solutions
 - Simplicity of use and maintenance
 - Reliable and repeatable performance

- Accurate material positioning
- Rapid cycle automated process
- Heating temperature uniformity
- Human Machine Interface
- Completely safe to operate (isolated press)
- Supervision station: material and mold data base, data acquisition, process monitoring & production traceability

ii) Tangible assets

TANGIBLE ASSETS	31 December 2017	variation in scope	Reclas- sification	Increases	Reductions	31 December 2018
Land	-			-	-	-
Constructions	-			-	-	-
Technical facilities, equipment and industrial tools	224 618	- 39 740		29 965	-	214 843
Other tangible fixed	422 366	- 13 102		31 121	287	440 098
Plants and equipment in progress	-			-	-	-
Gross amount	646 984	- 52 842	-	61 086	287	654 941
Land	-			-	-	-
Constructions	-			-	-	-
Technical facilities, equipment and industrial tools	165 316	- 35 998		21 293	-	150 611
Other tangible fixed	304 594	561		46 553	287	351 421
Plants and equipment in progress	-			-	-	-
Depreciations	469 910	- 35 437	-	67 846	287	502 032
Net tangible assets	177 074	- 17 405	- -	6 760	-	152 909

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – Property, plant and equipment.

Each component of an item of property, plant and equipment with a useful life that differs from that of the item as a whole is depreciated separately on a straight-line basis.

The main useful lives are as follows:

- technical facilities, equipment and industrial tools: 3 to 10 years
- other tangible assets: depending on the nature of the asset

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may have been impaired.

Leases

The assets used under leases are recognized in the balance sheet, offset by a financial debt, where the leases transfer substantially all the risks and rewards of ownership to the Group.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases.

The related payments are recognized as an expense on a straight-line basis over the lease term.

Rental expense breaks down	31 December 2018	31 December 2017
Minimum rentals	152 859	207 204
Sub-lease rentals	-	-
Operating lease commitments break down as follows at December 31, 2018 :	Minimum payments	Minimum payments
Less than one year	152 767	111 456
Between one and five years	422 216	246 695
Five years and more	181 042	-
TOTAL COMMITMENTS	756 025	358 151
Discounting effect	-	-
Discounted minimum payments	756 025	358 151

iii) Impairment of assets

In accordance with IAS 36 – Impairment of Assets – the Group assesses the recoverable amount of its long-lived assets as follows:

- For all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified on the basis of external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use:
 - No impairment indicator was found for fixed assets
 - For R&D projects activated, a review was performed to assess that no impairment was necessary as of December 31, 2018.
- Non-amortizable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the asset may be impaired: not applicable for the Group.

iv) Financial assets

FINANCIAL ASSETS	31 December 2017	variation in scope	increase	Diminutions	31 December 2018
Investments in associates	-	-	-	-	-
other investments (1)	9 000	-	-	-	9 000
Receivables on shareholders (2)	192 948	-	5 000	-	197 948
other non current financial assets	381	-	-	-	381
Loans	-	-	-	-	-
Deposit and guarantees	44 981	- 1 665	13 750	17 500	39 566
Gross amount	247 310	- 1 665	18 750	17 500	246 895
Dépréciation	-	-	-	-	-
Net financial assets	247 310	- 1 665	18 750	17 500	246 895

(1) Company 2MATCEH TME owns 4% of this company.

(2) SPV FINANCES, this company is 73%-owned by Serge LUQUAIN Chief executive of Techni-Modul Engineering.

v) Current assets

CURRENTS ASSETS	31 December 2018	less 1 year	more 1 year
Inventories and in progress	88 053	88 053	-
Accounts receivable	4 329 426	4 329 426	-
Other receivable and prepaid expenses	614 398	614 398	-
Cash in bank	254 442	254 442	-
total	5 286 319	5 286 319	-

Inventories

Inventories are measured at the lower of acquisition cost and net realizable value.

Accounts receivables and other receivables

Accounts receivables and other receivables are recognized at nominal value.

Receivables that are due within less than one year and/or less than an operating cycle are reported under "Current assets". An allowance for impairment is recognized when their value at the reporting date, based on collection probability, falls below their carrying amount.

Cash in bank

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets.

vi) Deferred taxes

Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method. Deferred tax assets are recognized when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period of time are netted off.

DEFERRED TAXES	31 December 2018	31 December 2017
Techni-modul engineering	2 082 077	2 508 000
Composite alliance corp	348 770	242 740
total cumulative deferred tax	2 430 847	2 750 740

vii) Share Capital

Authorized: Unlimited number of common shares
Unlimited number of preferred shares

	Common Shares	
	Number	Amount
Balance 31 December 2017	81 523	1 480 552 €
Share capital increase	11 165	202 756 €
Balance 31 December 2018	92 688	1 683 308 €

On August 30, 2018, TME capital was increase by 11 165 shares following the conversion of the Bond loan Tranche A. The 11 165 bonds were converted in 11 165 shares as the pre-tax income was less than EUR 600,000.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All common shares issued rank equally with regard to the Company's residual assets subject to the rights of the preferred shares.

On October 2018, Comtec the main shareholder of TME sold most of its participation to Malchemy Corporation Limited, which is also owned by Mr Zhang, which remains the main final shareholder of TME.

TME is now owned by :

- Malchemy Corporation : 55% of the capital
- SPV : 43% of the capital. The main shareholder of SPV is Serge Luquain, the CEO of TME.

viii) Long term provision

LONG TERM PROVISION	31 December 2017	Increase	Decrease	reversal without use	31 December 2018
Litigation provision	11 184	-	-	-	11 184
provision for losses to completion	-	89 000	-	-	89 000
Other provisions for contingent liabilities	-	40 000	-	-	40 000
provision for retirement indemnities	150 620	2 260	-	2 246	150 634
Provision for risks and charges	161 804	131 260	-	2 246	290 818

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year.

Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

Defined benefit plans

Defined benefit plans are measured using the projected unit credit method.

Expenses recognized in the statement of income are split between operating income (for service costs rendered during the period) and net financial income/(loss) (for financial costs and expected return on plan assets).

The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years

of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in "Other reserves" and in comprehensive income as "Other Comprehensive Income" /loss. The amount of commitment to retirement is calculated using individual projections based on a start to retire at the age of 62, considering the average rate of rotation of personnel and expectancy compared to the tables of mortality. It concerns only the French company Techni-Modul Engineering.

PROVISION FOR RETIREMENT INDEMNITIES	December 31, 2018	December 31, 2017
Discount rate	1,60%	1,50%
% executive salary encrease	1,00%	1,00%
% employees salary encrease	1,50%	1,50%
Turn over	average	average
rate of social security expenses	45,00%	45,00%
mortality table	TG05	TG05
Convention collective	metallurgy	metallurgy
Provision at the beginning of the year	150 620	158 361
Net costs recognized in the statement of income	2 260	- 10 818
Benefits paid	-	-
Actuarial items recognized in equity	- 2 246	3 077
Provision at the end of the year	150 634	150 620

ix) Net cash position

CASH	31 December 2018	31 December 2017
Short term investment	-	-
Bank cash	254 442	139 628
Overdraft and other short-term bank borrowings	- 1 050 581	- 43 672
Cash net	- 796 139	95 956

x) Maturities of liabilities

MATURITIES OF LIABILITIES	31 December 2018	less 1 year	between 1 and 5 years	more 5 years
Convertible bond loans	1 531 932	-	1 531 932	-
Non current debts /loans granted by credit institution (1)	1 304 774	48 603	1 256 171	-
Long term provisions	290 818	140 184	150 634	-
Investment subsidies	135 786	45 794	89 992	-
Cash crédit	1 050 581	1 050 581	-	-
Accounts payable and related payable	1 207 673	1 207 673	-	-
other current liabilities	1 112 365	1 112 365	-	-
TOTAL	6 633 929	3 605 200	3 028 729	-

(1) Including a loan of Malchemy Corporation Limited for more than one year for €950,000.

xi) Equipment subsidies and Credit Tax Research (CIR)

EQUIPMENT SUBSIDIES	31 December 2017	Activation	Amortization	31 December 2018
Other equipment subsidies	33 600	-	8 400	25 200
cir 2014	40 062	-	10 016	30 046
cii 2014	5 585	-	1 490	4 095
cir 2015	83 991	-	20 998	62 993
cir 2015	7 553	-	2 014	5 539
cir 2016	10 789	-	2 877	7 913
Total	181 580	-	45 794	135 786

CIR and CII (research tax credit) is obtained by TME each year financing part of its R&D expenses. As part of these R&D expenses are activated in intangible assets, the CIR obtained is recognized in profit at the same rate as development costs activated (5 years).

XII. REVENUE RECOGNITION

The Group's revenues primarily include transactional sales and revenues from contracts.

Transactional sales

Revenue from sales is recognized when the product is shipped and risks and benefits are transferred.

Long-term contracts

Income from long-term contracts is recognized using the percentage of completion method, based on the percentage of costs incurred in relation to total estimated costs of the entire contract.

Losses at completion for a given contract are provided for in full as soon as they become probable. The cost of work-in-process includes direct and indirect costs relating to the contracts.

XIII. SALARIED WORKFORCE

EMPLOYEES	Number Full year 2018	Number Full year 2017
TECHNI-MODUL ENG	31	37
COMPOSIT ALLIANCE CORP	1	1
EST TECHNOLOGIE	-	9
Total	32	47

Personnel expenses :	1 711 449 €	1 997 352 €
Including the Chief executive for	157 450 €	157 670 €

XIV. FINANCIAL RESULT

FINANCIAL RESULT	Full year 2018	Full year 2017
Financial costs		
Loan interests	55 293	34 250
Bond interests	111 676	110 879
bank interest	11 256	9 010
Exchange loss	-	-
Cash discount granted	-	367
TOTAL FINANCIAL COSTS	178 225	154 506
Financial incomes		
Exchange gain	0	-
Other income	0	-
TOTAL INCOME COST	0	-
Net financial costs	178 225	154 506

XV. SHARE-BASED PAYMENTS

Not applicable for the Group.

XVI. INCOME TAX EXPENSE

INCOME TAX	Year to 31 December 2018	Year to 31 December 2017
Résultat before income tax	333 463	1 560 963
Income taxes rate	28%	34%
Income taxes theoretical	93 370	537 440
CICE	12 745	14 167
CIR	37 443	40 358
Fiscal losses incurred not activated	43 182	591 965
Entries income tax untaxed	-	-
Other impacts	191	1 584
Income taxes booked	191	1 585

XVII. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- 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.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	Carrying Amount	Fair value	31 December 2018		
			Level 1	Level 2	Level 3
Financial assets	246 895	246 895	237 895	-	9 000
Marketable securities	-	-	-	-	-
Derivative instruments	-	-	-	-	-
Total assets	246 895	246 895	237 895	-	9 000
Convertible bonds	- 1 531 932	- 1 531 932	-	-	- 1 531 932
Total liabilities	- 1 531 932	- 1 531 932	-	-	- 1 531 932

	Carrying Amount	Fair value	31 December 2017		
			Level 1	Level 2	Level 3
Financial assets	247 310	247 310	238 310	-	9 000
Marketable securities	-	-	-	-	-
Derivative instruments	-	-	-	-	-
Total assets	247 310	247 310	238 310	-	9 000
Convertible bonds	- 1 685 255	- 1 685 255	-	-	- 1 685 255
Total liabilities	- 1 685 255	- 1 685 255	-	-	- 1 685 255

All assets and liabilities

XVIII. RELATED PARTY TRANSACTIONS

RELATED PARTY TRANSACTIONS	p&l or balance sheet	Year to 31 December 2018	Year to 31 December 2017
With SPV FINANCES owned by Serge LUQUAIN Chief executive			
Financial assets	Balance sheet	197 948	192 947
With 2SL-IMMO owned by Serge LUQUAIN Chief executive			
External expenses (Real property lease)	p&l	77 000	77 000
With Malchemy Corp Ltd			
Convertible Bond with interest	Balance sheet	- 1 531 932	- 1 819 452
Long term borrowings with interest	Balance sheet	- 1 113 909	- 1 059 810
Finance cost	p&l	166 016	144 498

XIX. NOTES OF BALANCE SHEET COMMITMENTS

Bank	Guarantee	Montant
Banque Nuger	Holdback	37 572
Banque Nuger	bank guarantee BPI France	50% of financial commitment line

XX. AUDITOR FEES

AUDITOR FEES	Year to 31 December 2018	Year to 31 December 2017
TECHNI-MODUL ENG	5 873	7 965
COMPOSIT ALLIANCE CORP	-	-
EST TECHNOLOGIE	-	-
CONSOLIDATED FINANCIAL STATMENTS	169 045 (1)	-
Total	174 918	7 965

(1) 94 500€ correspond to amounting 2016 and 2017

XXI. STATEMENT OF CASH FLOWS

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, net of bank overdrafts and facilities.

XXII. SEGMENT INFORMATION

The Group has only one business.

XXIII. SUBSEQUENT EVENTS

A former customer of TME in Belgium is taking a legal action, will proceed with blocking our bank account opened on NUGER bank for K€ 150. We received a letter informing us of their decision. Our lawyer, will start an appeal procedure to have this decision annulled.

The amount claimed for this litigation is M€ 0,9. The date of the first instance should be in April 2020. We have not made a provision regarding this litigation; our lawyer thinks in fact that this claim is excessive and is confident about the outcome of the dispute.

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