



Appendix 3 Explanatory Notes S.I Financials QTR 3 2015

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the period 1st January to 30th September, 2015

NOTES: Balance Sheet

ASSETS

- 1. Trade debtors**
This is the total amount for invoices issued and still outstanding.
- 2. Other debtors**
This is the credit for taxes, and VAT credit.
- 3. Cash**
Includes cash on hand current bank account balances (cash and BNL).
- 4. Capital assets**
Net book value of computers and furniture owned by the Company (cost less depreciation) and the guarantee deposit to Executive Service (3.000 €) for the office space.

LIABILITIES

- 5. Accounts payable**
Total amount for invoices received for this period to be paid.
- 6. Withholding taxes**
These are tax liabilities for social charges and other taxes for personnel costs.
- 7. Severance Reserve Fund**
The Company is required to collect and accumulate prescribed annual amounts as they relate to permanent employees in accordance with the legal requirements of Italy. Those amounts will be retained by S.I. and given back to the employees when they will leave the organization. S.I. has two part-time employees.
- 8. Deferred income**
The total amount refers to three items:
 - Invoices issued but deferred as the relevant cost from the laboratory is still due and we do not know when the invoice will arrive. The total amount is 200.089 €.



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- Contribution from EU for SOLID project for future activities for an amount of 41.694 €. The project will finalise on 31/3/2016.
- $\frac{3}{4}$ part of the invoices issued in ID for marketed products with 3-years validity for an amount of 3.400 €.

NOTES: Statement of Financial Position (Income Statement) related to the first 9 months

A. Period 1st January to 30th September 2015

1. Revenues

This is the revenue for current activities of the Company. The detail is given in the annex 1.

2. Other revenues

This is the contribution from EU for SOLID project to cover the current expenses and from sponsors for the Symposium held in Pretoria, South Africa, jointly organised with FAO.

NOTES: Statement of Financial Position (Expenses) related to the first 9 months

3. Purchasing and service costs

These are the total cost to run the company. In the annex 1 there is the detail by activity.

4. Staff costs

The detail is shown in annex 1.

5. Other expenses

The expenses are for the EU SOLID project and for the Symposium in Pretoria.



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B. Forecast notes

6. Revenues

The forecast has been calculated considering the tests on-going by 30th September to be finalised by 31st December. The detail is as follows:

Identification

The income expected from the ongoing tests amounts to 97.769 Euro, with total revenue for this activity in 2015 of 333.309 Euro compare to 385.000 budgeted. The reduced income of 51.691 Euro is due to minor requests for re-certification and environmental tests as forecast for the year.

Recording Devices

The income expected from the ongoing tests amounts to 20.870 Euro compare to 80.000 Euro budgeted. The reduced income of 59.130 Euro is due to tests cancelled and postponed. At the moment for 2016 we have 4 tests ongoing.

Tagging

The income expected from orders received until now amounts to 5.000 Euro. The total income for this activity in 2015 is in line with the budget.

InterBeef

The income expected amounts to 99.514 Euro, 4.500 Euro more than budgeted.

CoQ

The income this year will amount to 18.681 Euro, 8.000 Euro more than budgeted.

7. Purchasing and service costs

The forecast has been calculated considering the tests on-going and other services and travel for the last 3 months of 2015. The detail is as follows for the specific activities:

Identification

The cost for the last quarter will amount to 75.234 Euro, with a total of 249.426 Euro in 2015, which is 39.426 Euro more than budgeted. The cost budgeted for this activity was calculated on a linear basis according to the previous years but in 2015 there were more tests of visual tags than RFID and this results in a major difference.

Recording Devices

The cost for the ongoing test in 2015 will amount to 10.620 Euro, which is related to the income and represents 47.380 Euro less than budgeted.



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Tagging

The total cost for 2015 is estimated in 14.300 Euro which is slightly higher than budgeted mainly due to shipment expenses which were considered in the past as office costs and now are charged to this activity.

InterBeef

The cost for InterBeef activity is 100.000 Euro and is in line with the budget.

Genoex

The second contribution for this activity will be 20.000 Euro as budgeted-

CoQ

The total cost for this activity will be around 5.000 Euro, slightly less than budgeted (7.000 Euro).

Office costs (renting, accounts, legal)

The forecast for the last 3 months amounts to 10.000 Euro but this will be compensated with the invoice to ICAR for an amount of 10.000 Euro to cover the legal expenses paid by S.I. for matters related to ICAR (notary for DBI documents, contract of CE). In addition, S.I. will invoice ICAR for 17.000 Euro to partially cover the renting expenses in 2015.

8. Staff costs

The forecast is based on the information provided by Italconsultants for the staff (E. Couto, Cesare Mosconi and J. Maki-Hokkonen), and based on the consultant's annual contract for M. Burke, B. Wickham, and C. Hunlun.

9. Other expenses

This related to the activity of the EU Project Solid and the Symposium of Pretoria. The two consultants (C. Thomas and R. Nielson) working for Solid are paid with the EU funds as well as all the direct costs related to the project. A 20% overhead is due to S.I.

10. Depreciation

The forecast has been calculated by Italconsultants based on the equipment purchase by the company.

11. Current taxes

The current taxes do not include the 42% on profit as it is not applicable in 2015 according to the forecast.



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Annex 1

BREAKDOWN INCOME AND EXPENSES BY ACTIVITY

As 30th September 2015 - All figures in Euro

ACTIVITIES	EXPENSES	INCOME	BALANCE 2015
Identification			
Cost laboratories, travel, accommodation	174.192		
Income from tests		235.540	
			61.348
Recording Devices			
Cost laboratories, travel accommodation	6.125		
Income from tests		0	
			(6.125)
Tagging			
Cost for printing tags and shipment	12.849		
Income from manufacturers for tags		38.716	
			25.867
Certificate of Quality			
Travel and accommodation, auditors' fees	3.761		
Income from MO requests of CoQ		13.681	
			9.920
EU Projects (Solid)			
Honorarium and direct costs	12.988		
Grant from EU		15.600	
			2.612
Other activities (Pretoria Symposium)			
Travel, accommodation, facilities	37.282		
Sponsorship		58.000	
			20.718
InterBeef			
Cost laboratory	0		
Income from MO organisations		0	
			0
Bank interest		63	63



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TOTAL	247.198	361.600	114.402
ORDINARY EXPENSES	EXPENSES		BUDGET 9 MONTHS 2015
Office costs			
Telephone, cleaning, renting, stationary, postage, awards, printing, and other costs.	29.864		35.250
Staff costs	126.285		137.625
Permanent staff (inc. benefits)	70.060	54.750	
Technical consultants	56.224	82.875	
Assistance	31.283		22.500
Legal	17.546	7.500	
Insurance	4.530	7.500	
Accounts	9.207	7.125	
Technical activities and IT support	9.152		22.500
IT and server	9.152	22.500	
Travel and accommodation	7.012		12.750
Depreciation	337		1.312
Bank charges	1.098		1.125
Taxes	761		0
TOTAL EXPENSES	205.792		217.687