

Management Report

SERVICE-ICAR Srl

For the period ended December 31, 2018



Prepared on

March 14, 2019

Table of Contents

Profit and Loss3

Notes to Profit and Loss4

Balance Sheet5

Notes to Balance Sheet6

Appendix 1 – Income breakdown by activity7

Appendix 2 – Follow-up budget by Quarter8

Profit and Loss

January - December 2018

	As at December 31st			Versus Budget		Versus Prior Year	
	Actual 2018	Budget 2018	Actual 2017	Euro	%	Euro	%
REVENUES							
Sales income	639.140	758.760	834.779	(119.620)	(16)	(195.639)	(23)
Personnel services support	94.935	95.000	80.000	(65)	(0)	14.935	19
Other income	0	0	1.040	0		(1.040)	(100)
Special projects	10.000	0	8.516	10.000		1.484	17
TOTAL REVENUES	744.075	853.760	924.335	(109.685)	(13)	(180.260)	(20)
EXPENSES							
Employee related expenses	319.818	315.000	311.103	4.818	2	8.715	3
Travel	11.780	10.000	8.317	1.780	18	3.463	42
Office (rental and supplies)	31.900	37.700	46.266	(5.800)	(15)	(14.367)	(31)
Administrative services (IT, account, insurance, legal, bank, audit...)	59.118	59.200	42.777	(82)	(0)	16.341	38
Contract services	381.510	426.250	511.548	(44.740)	(10)	(130.038)	(25)
Special project expenses	5.781	8.000	0	(2.219)	(28)	5.781	
TOTAL OPERATING COSTS	809.907	856.150	920.011	(46.243)	(5)	(110.104)	(12)
OPERATING PROFIT/ (LOSS)	(65.832)	(2.390)	4.324	(63.442)	2.654	(70.156)	(1.622)
Taxes	0	(2.000)	(367)	2.000	(100)	367	(100)
NET PROFIT (LOSS)	(65.832)	(4.390)	3.957	(61.442)	1.400	(69.789)	(1.764)

Notes to Profit and Loss

As of December 31, 2018

REVENUES

- 1. Sales income**
This is the total amount received for services (detail in Appendix 1 to the BS and IS).
- 2. Personnel services support**
Total amount paid by ICAR to support the personnel costs for the technical and administrative services.
- 3. Special projects**
Income received from EU for the SMARTER Project started in November 2018 to cover two months expenses.

EXPENSES

- 4. Employees and related expenses**
Personnel cost including social charges (health, retirement, benefits, private insurance, training courses, etc.).
Cost for staff: Euro 185.282
Cost for consultants: Euro 134.536
- 5. Travel**
Cost for travel of office and Board.
- 6. Office**
Total cost to run the office including renting.
- 7. Administrative services**
Total cost for outsourcing services (accounting, legal, audit, office and officers 'insurance, hosting server and IT support) including bank expenses.
- 8. Contract services**
Cost to suppliers for services (laboratories, auditors CoQ, printing labels, etc.). Detail in Appendix 1 to BS and IS.
- 9. Special projects expenses**
Direct costs of SMARTER EU Project to attend the kick off meeting in November 2018.
- 10. Taxes**
Not applicable as there is no profit.

Balance Sheet

As of December 31, 2018

			Year over Year (2018 vs. 2017)	
	Actual 31/12/2018	Actual 31/12/2017	Euro	%
ASSETS				
Cash	266.637	220.049	46.588	21
Trade receivable	66.141	107.072	(40.932)	(38)
Other receivables (VAT, taxes)	38.805	43.486	(4.681)	(11)
Prepayments	3.198	1.851	1.346	73
TOTAL CURRENT ASSETS	374.780	372.459	2.321	1
Fixed assets	585	0	585	
Financial assets (deposit)	3.600	3.600	0	0
TOTAL NON-CURRENT ASSETS	4.185	3.600	585	16
TOTAL ASSETS	378.965	376.059	2.906	1
EQUITY AND LIABILITIES				
Capital	10.400	10.400	0	0
Retained earnings	76.627	72.670	3.957	5
Operating profit (loss)	(65.832)	3.957	(69.789)	(1.764)
MEMBER'S EQUITY	21.195	87.027	(65.832)	(76)
Severance Reserve Fund	26.094	16.974	9.120	54
Accounts payable	194.855	132.058	62.797	48
Deferred income	136.822	140.000	(3.179)	(2)
LIABILITIES	357.770	289.032	68.738	24
TOTAL LIABILITIES & EQUITY	378.965	376.059	2.906	1

Notes to Balance Sheet

As of December 31, 2018

ASSETS

Current assets

1. **Cash**
Includes cash on hand current bank account balances (cash and BNL).
2. **Trade receivable**
Credit for invoices for services given and outstanding for payment.
3. **Other receivables (VAT, taxes)**
Credits to be received from the Italian tax office for VAT.
4. **Prepayments**
This is the amount paid for insurances with expiry dates partially in 2019 for an amount of 2.466 Euro and the renewal of Quickbooks for 2019 for an amount of 732 Euro.

Non-current assets

5. **Fixed assets**
Net book value of computers and furniture owned by the Company (cost less depreciation).
6. **Financial assets (deposit)**
Deposit with ExecutiveService for the renting of the offices.

EQUITY AND LIABILITIES

Liabilities

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 shall be dispersed to the employees when they will leave the organization. There are three full time staff.
8. **Accounts payable**
Amount to be paid to customers and consultants in January 2019 but related to 2018. The main difference in 2018 is due to the late arrival of the invoice for the InterBeef service from SLU for an amount of 100.000 Euro.
9. **Deferred income**
The amount of 95.825 Euro refers to income from two activities: ID and RD for which the related cost has not been yet paid. For information purposes, the backlog income and expenses are also reported below:

ID income backlog:	€69.400	expenses backlog:	€46.050
RD income backlog:	€26.425	expenses backlog:	€20.975

The amount of 40.996,50 refers to the advance payment received in December 2018 for the EU project SMARTER to be used in activities scheduled for 2019.

Appendix 1

Income Breakdown by Activities

Year End 2018 (All figures in Euro)

	Labels	CoQ	ID	RSD	Milk PT	Milk Analysers	InterBeef	DNA Data Centres	Total
Income	37.874	37.672	316.946	67.151	48.483	0	116.314	14.700	639.140
Cost	10.192	12.520	173.957	51.243	31.552	0	102.045	0	381.510
Actual Gross Margin	27.682	25.152	142.989	15.908	16.931	0	14.269	14.700	242.930
% Gross Margin	73%	67%	45%	24%	35%	0%	12%	100%	38%
Budgeted Gross Margin	30.400	20.110	212.000	12.000	19.000	19.500	15.000	4.500	332.510

Appendix 2

Follow-up budget by quarter

	Actuals March 2018	Q1 Budget	Diff. Vs. budget Q1	Actuals June 2018	Q2 Budget	Diff. Vs. budget Q2	Actuals Sep. 2018	Q3 Budget	Diff. Vs. budget Q3	Actuals Dec. 2018	Q4 Budget	Diff. Vs. budget Q4
REVENUES												
Labels	13.640	10.000	3.640	24.194	20.000	4.194	27.194	30.000	-2.806	37.874	40.000	-2.126
CoQ	1.875	7.065	-5.190	13.810	14.130	-320	26.112	21.195	4.917	37.672	28.260	9.412
Identification	6.700	10.000	-3.300	127.559	220.000	-92.441	222.582	330.000	-107.418	316.946	440.000	-123.054
Recording Devices	2.000	0	2.000	66.150	30.000	36.150	66.150	45.000	21.150	67.151	60.000	7.151
Data Interpretation Centres-GenoEx PSE	2.100	1.125	975	3.800	2.250	1.550	13.500	3.375	10.125	14.700	4.500	10.200
Milk PT	0	0	0	25.465	23.500	1.965	25.465	23.500	1.965	48.483	47.000	1.483
InterBeef	0	0	0	0	0	0	106.435	115.000	-8.565	116.314	115.000	1.314
Milk Analysers	0	0	0	0	12.000	0	0	18.000	0	0	24.000	-24.000
Other services	0	0	0	0	0	0	0	0	0	0	0	0
<i>Sales income</i>	<i>26.315</i>	<i>28.190</i>	<i>-1.875</i>	<i>260.978</i>	<i>321.880</i>	<i>-48.902</i>	<i>487.438</i>	<i>586.070</i>	<i>-98.632</i>	<i>639.140</i>	<i>758.760</i>	<i>-119.620</i>
Technical-management support to ICAR	23.700	23.750	-50	47.445	47.500	-55	71.190	71.250	-60	94.935	95.000	-65
Special projects	0	0	0	0	0	0	0	0	0	10.000	0	10.000
TOTAL REVENUES	50.015	51.940	-1.925	308.423	369.380	-48.957	558.628	657.320	-98.692	744.075	853.760	-109.685
EXPENSES												
Employee related expenses	75.587	78.750	-3.163	154.803	157.500	-2.697	226.077	236.250	-10.173	319.818	315.000	4.818
Travel	2.816	2.500	316	6.537	5.000	1.537	8.826	7.500	1.326	11.780	10.000	1.780
Office (rental and suppliers)	9.048	9.000	48	17.066	18.000	-934	22.725	27.000	-4.275	30.748	36.000	-5.252
Administrative services (legal, account, audit, insurance, IT, bank...)	4.833	14.800	-9.967	18.975	29.600	-10.625	40.861	44.400	-3.539	59.118	59.200	-82
Labels	3.236	2.400	836	6.308	4.800	1.508	7.464	7.200	264	10.192	9.600	592
CoQ	1.340	2.038	-697	5.300	4.075	1.225	8.602	6.113	2.490	12.520	8.150	4.370
Identification	11.327	15.000	-3.673	78.155	114.000	-35.845	121.598	171.000	-49.402	173.957	228.000	-54.043
Recording Devices	0	0	0	50.600	24.000	26.600	50.600	36.000	14.600	51.243	48.000	3.243

	Actuals March 2018	Q1 Budget	Diff. Vs. budget Q1	Actuals June 2018	Q2 Budget	Diff. Vs. budget Q2	Actuals Sep. 2018	Q3 Budget	Diff. Vs. budget Q3	Actuals Dec. 2018	Q4 Budget	Diff. Vs. budget Q4
Data Interpretation Centres-GenoEx PSE	0	0	0	0	0	0	0	0	0	0	0	0
Milk PT	0	0	0	16.420	14.000	2.420	16.420	14.000	2.420	31.552	28.000	3.552
InterBeef	0	0	0	0	0	0	100.000	100.000	0	102.045	100.000	2.045
Milk Analysers	0	0	0	0	2.250	-2.250	0	3.375	-3.375	0	4.500	-4.500
Other services	0	0	0	0	0	0	0	0	0	0	0	0
<i>Contract services</i>	15.904	19.438	-3.534	156.783	163.125	-6.342	304.684	337.688	-33.004	381.510	426.250	-44.740
Depreciation	0	425	-425	0	850	-850	0	1.275	-1.275	65	1.700	-1.635
Special project expenses	0	0	0	0	4.000	-4.000	0	6.000	-6.000	5.781	8.000	-2.219
TOTAL OPERATING COSTS	108.187	124.913	-16.725	354.163	378.075	-23.912	603.173	660.113	-56.940	808.820	856.150	-47.330
Operating profit / (loss)												
Other extraordinary income / (expense)	0	0	0	0	0	0	0	0	0	0	0	0
Investment income / (expense)	0	0	0	0	0	0	0	0	0	0	0	0
Taxes	-310	-500	190	-873	-1.000	127	-1.087	-1.500	413	-1.087	-2.000	913
NET INCOME (LOSS)	-58.482	-73.473	14.990	-46.613	-9.695	-36.918	-45.631	-4.293	-41.339	-65.832	-4.390	-61.442