

Management Report

SERVICE-ICAR Srl

For the period 1st January – 31st March, 2019



Prepared on

April 24, 2019

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Profit and Loss

January - March 2019

				Versus Budget		Versus Prior Year	
	Actual 31/3/2019	Budget 2019 31/3/2019	Actual 31/3/2018	Euro	%	Euro	%
REVENUES							
Sales income	134.992	114.500	26.315	20.492	18	108.677	413
Personnel services support	24.990	25.000	23.700	(10)	(0)	1.290	5
Other income	0	0	0	0		0	
Special projects	0	0	0	0		0	
TOTAL REVENUES	159.982	139.500	50.015	20.482	15	109.967	220
EXPENSES							
Employee related expenses	64.951	75.000	75.587	(10.049)	(13)	(10.636)	(14)
Travel	6.251	2.500	2.816	3.751	150	3.435	122
Office (rental and supplies)	7.166	8.750	9.048	(1.584)	(18)	(1.882)	(21)
Administrative services (IT, account, insurance, legal, bank, audit...)	12.329	10.000	5.143	2.329	23	7.186	140
Contract services	55.615	45.000	15.904	10.615	24	39.711	250
Depreciation	0	300	0	(300)	(100)	0	
Special project expenses	435	0	0	435		435	
TOTAL OPERATING COSTS	146.746	141.550	108.497	5.196	4	38.249	35
OPERATING PROFIT/ (LOSS)	13.236	(2.050)	(58.482)	15.286		71.718	
Taxes	0	(500)	0	500		0	
NET PROFIT (LOSS)	13.236	(2.550)	(58.482)	15.286		71.718	

Notes to Profit and Loss

As of March 31, 2019

REVENUES

- 1. Sales income**
This is the total amount received for services (detail in Appendix 1).
- 2. Personnel services support**
Total amount paid by ICAR to support the personnel costs for the technical and administrative services.
- 3. Special projects**
Nil.

EXPENSES

- 4. Employees and related expenses**
Personnel cost including social charges (health, retirement, benefits, private insurance, training courses, etc.).
Cost for staff: Euro 37.291
Cost for consultants: Euro 27.660
- 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) and bank expenses.
- 8. Contract services**
Cost to suppliers for services (laboratories, auditors CoQ, printing labels, etc.). Detail in Appendix 1.
- 9. Special projects expenses**
Direct costs of SMARTER EU Project to attend a meeting in February 2019.
- 10. Taxes**
Not applicable during the year.

Balance Sheet

As of March 31, 2019

			Year over Year (2019 vs. 2018)	
	Actual 31/03/2019	Actual 31/03/2018	Euro	%
ASSETS				
Cash	201.323	194.739	6.583	3
Trade receivable	72.538	134.536	(61.998)	(46)
Other receivables (VAT, taxes)	38.792	49.403	(10.611)	(21)
Prepayments	8.720	0	8.720	#DIV/0!
TOTAL CURRENT ASSETS	321.373	378.679	(66.026)	(17)
Fixed assets	585	793	(208)	(26)
Financial assets (deposit)	3.600	3.600	0	0
TOTAL NON-CURRENT ASSETS	4.185	4.393	(208)	(5)
TOTAL ASSETS	325.558	383.072	(57.514)	(15)
EQUITY AND LIABILITIES				
Capital	10.400	10.400	0	0
Retained earnings	10.795	76.627	(65.832)	(86)
Operating profit (loss)	13.236	(58.482)	71.718	(123)
MEMBER'S EQUITY	34.431	28.545	5.886	21
Severance Reserve Fund	26.094	16.974	9.120	54
Accounts payable	65.158	28.309	36.849	130
Deferred income	199.875	309.244	(109.370)	(35)
LIABILITIES	291.126	354.526	45.969	13
TOTAL LIABILITIES & EQUITY	325.558	383.072	(57.514)	(15)

Notes to Balance Sheet

As of March 31, 2019

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 office insurances during this quarter.

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, laboratories and consultants in April 2019 but related to March 2019.
9. **Deferred income**
The amount of 158.878 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:	€65.880	expenses backlog:	€42.304
RD income backlog:	€92.998	expenses backlog:	€74.168

There is an amount of 40.997 Euro 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

QTR1/2019 (All figures in Euro)

31st March 2019	Labels	CoQ	ID	RSD	Milk PT	Milk Analysers	InterBeef	Acc. DNA Data Centres	Total
Income	7.250	24.960	101.882	0	0	0	0	900	134.992
Cost	2.360	2.467	50.788	0	0	0	0	0	55.615
Actual Gross Margin	4.890	22.493	51.094	0	0	0	0	900	79.377
% Gross Margin	67%	90%	50%					100%	59%
Budgeted Gross Margin	30.000	30.000	150.000	12.000	20.000	0	15.000	10.000	267.000

Appendix 2

Follow-up budget by quarter

	Q1 Actuals March 2019	Q1 Budget March 2019	Diff. Vs. budget Q1	Q2 Actuals June 2019	Q2 Budget June 2019	Diff. Vs. budget Q2	Q3 Actuals Sep. 2019	Q3 Budget Sep. 2019	Diff. Vs. budget Q3	Q4 Actuals Dec. 2019 (Year end)	Q4 Budget 2019 (Year end)	Diff. Vs. budget Q4 (Year end)
REVENUES												
Labels	7.250	12.000	-4.750		24.000			30.000			40.000	
CoQ	24.960	30.000	-5.040		35.000			40.000			40.000	
Identification	101.882	70.000	31.882		135.000			220.000			325.000	
Recording Devices	0	0	0		20.000			30.000			40.000	
Data Interpretation Centres-GenoEx PSE	900	2.500	-1.600		5.000			7.500			10.000	
Milk PT	0	0	0		25.000			25.000			45.000	
InterBeef	0	0	0		0			115.000			115.000	
<i>Sales income</i>	<i>134.992</i>	<i>114.500</i>	<i>20.492</i>	<i>0</i>	<i>244.000</i>		<i>0</i>	<i>467.500</i>		<i>0</i>	<i>615.000</i>	
Technical-management support to ICAR	24.990	25.000	-10		50.000			75.000			100.000	
Special projects	0	0	0		0			0			8.110	
TOTAL REVENUES	159.982	139.500	20.482	0	294.000		0	542.500		0	723.110	
EXPENSES												
Employee related expenses	64.951	75.000	-10.049		150.000			225.000			300.000	
Travel	6.251	2.500	3.751		7.000			8.500			10.000	
Office (rental and suppliers)	7.166	8.750	-1.584		17.500			25.000			35.000	
Administrative services (legal, account, audit, insurance, IT, bank...)	12.329	10.000	2.329		20.000			40.000			45.000	
Labels	2.360	2.500	-140		5.000			7.500			10.000	
CoQ	2.467	7.500	-5.033		8.500			10.000			10.000	
Identification	50.788	35.000	15.788		85.000			135.000			175.000	
Recording Devices	0	0	0		14.000			21.000			28.000	
Milk PT	0	0	0		12.500			14.000			25.000	
InterBeef	0	0	0		0			100.000			100.000	
<i>Contract services</i>	<i>55.615</i>	<i>45.000</i>	<i>10.615</i>	<i>0</i>	<i>125.000</i>		<i>0</i>	<i>287.500</i>		<i>0</i>	<i>348.000</i>	
Depreciation	0	300	-300		600			900			1.200	
Special project expenses	435	0	435		0			0			0	
TOTAL OPERATING COSTS	146.746	141.550	5.196	0	320.100		0	586.900		0	739.200	
Operating profit / (loss)	13.236	-2.050	15.286	0	-26.100		0	-44.400		0	-16.090	
Taxes	0	-500	500		-1.000			-1.500			-2.000	
NET INCOME (LOSS)	13.236	-2.550	15.786	0	-27.100		0	-45.900		0	-18.090	