

Management Report

SERVICE-ICAR Srl

For the period 1st January – 30th September, 2019



Prepared on

October 17th, 2019

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Profit and Loss

January – September 2019

						Versus Budget		Versus Prior Year	
			Actual 30/9/2019	Budget 2019 30/9/2019	Actual 30/9/2018	Euro	%	Euro	%
REVENUES									
Sales income			582.055	467.500	487.438	114.555	25	94.617	19
Personnel services support			74.970	75.000	71.190	(30)	(0)	3.780	5
Other income			0	0	0	0		0	
Special projects			4.600	0	0	4.600		4.600	
TOTAL REVENUES			661.625	542.500	558.628	119.125	22	102.997	18
EXPENSES									
Employee related expenses			218.108	225.000	226.077	(6.892)	(3)	(7.969)	(4)
Travel			12.905	8.500	8.825	4.405	52	4.080	46
Office (rental and supplies)			22.851	25.000	22.725	(2.149)	(9)	126	1
Administrative services (IT, account, insurance, legal, bank, audit...)			43.027	40.000	40.861	3.027	8	2.166	5
Contract services			335.597	287.500	304.684	48.097	17	30.913	10
Depreciation			0	900	0	(900)	(100)	0	
Special project expenses			3.435	0	0	3.435		3.435	
TOTAL OPERATING COSTS			635.923	586.900	603.172	49.023	8	32.751	5
OPERATING PROFIT/ (LOSS)			25.702	(44.400)	(44.544)	70.102		70.246	
Taxes				(1.500)	(1.087)	1.500		1.087	
NET PROFIT (LOSS)			25.702	(45.900)	(45.631)	71.602		71.333	

Notes to Profit and Loss

As of September 30, 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

Income from EU SMARTER Project to cover direct cost and staff timing.

EXPENSES

4. Employees and related expenses

Personnel cost including social charges (health, retirement, benefits, private insurance, training courses, etc.).

Cost for staff: Euro 126.526

Cost for consultants: Euro 91.581

Note: In February 2019 following the advice of Italconsultants, we asked for a VAT audit to recuperate the credit accumulated during the last years. This credit is due to invoices issued to EU countries with reverse charge that we can not recuperate in total as we issue only few invoices to Italian companies. The tax office allow to recover maximum 5.000 Euro per year from taxes on surplus.

The total amount refund is 42.223 Euro and by 30th September already 30.968 Euro were deducted from the social charges paid monthly for staff.

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.

There is an extra cost of 1.872 Euro for the tax audit requested to recover the accumulated credit with the tax office.

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 and staff costs.

10. Taxes

Not applicable during the year.

Balance Sheet

As of September 30, 2019

			Year over Year (2019 vs. 2018)	
		Actual 30/09/2019	Actual 30/09/2018	Euro %
ASSETS				
Cash		289.731	168.271	121.461 72
Trade receivable		126.314	143.166	(16.852) (12)
Other receivables (VAT, taxes)		12.063	46.429	(34.366) (74)
Prepayments		1.638	1.713	(74)
TOTAL CURRENT ASSETS		429.747	359.578	70.243 20
Fixed assets		143	793	(650) (82)
Financial assets (deposit)		3.600	3.600	0 0
TOTAL NON-CURRENT ASSETS		3.743	4.393	(650) (15)
TOTAL ASSETS		433.489	363.971	69.518 19
EQUITY AND LIABILITIES				
Capital		10.400	10.400	0 0
Retained earnings		10.794	76.627	(65.833) (86)
Operating profit (loss)		25.702	(45.631)	71.333 (156)
MEMBER'S EQUITY		46.896	41.397	5.500 13
Severance Reserve Fund		26.094	16.974	9.120 54
Accounts payable		170.234	168.909	1.325 1
Deferred income		190.265	136.692	53.573 39
LIABILITIES		386.593	322.575	10.445 3
TOTAL LIABILITIES & EQUITY		433.489	363.971	69.518 19

Notes to Balance Sheet

As of September 30, 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 already paid for office insurances for 9 months.

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 October 2019 but related to September 2019.
9. **Deferred income**
The amount of 190.265 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:	€87.080	expenses backlog:	€56.680
RD income backlog:	€66.788	expenses backlog:	€53.493

There is also an amount of 36.397 Euro refers to the advance payment received in December 2018 for the EU project SMARTER to be used in activities scheduled for 2019. The project will finalise in October 2022.

Appendix 1

Income Breakdown by Activities

QTR3/2019 (All figures in Euro)

30th Sep. 2019	Labels	CoQ	ID	RSD	Milk PT	Milk Analysers	InterBeef	Acc. DNA Data Centres	Total
Income	30.855	37.139	282.550	42.910	37.387	28.000	114.514	8.700	582.055
Cost	8.756	12.369	150.932	29.453	17.587	16.500	100.000	0	335.597
Actual Gross Margin	22.099	24.770	131.618	13.457	19.800	11.500	14.514	8.700	246.458
% Gross Margin	72%	67%	47%	31%	53%	41%	13%	100%	42%
Budgeted Gross Margin	30.000	30.000	150.000	12.000	20.000	0	15.000	10.000	267.000

QTR3/2018 (All figures in Euro)

30th Sep. 2018	Labels	CoQ	ID	RSD	Milk PT	Milk Analysers	InterBeef	Acc. DNA Data Centres	Total
Income	27.194	26.112	222.582	66.150	25.465	0	106.435	13.500	487.438
Cost	7.464	8.602	121.598	50.600	16.420	0	100.000	0	304.684
Actual Gross Margin	19.730	17.510	100.984	15.550	9.045	0	6.435	13.500	169.254
% Gross Margin	73%	67%	45%	24%	36%	0%	6%	100%	35%
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

	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	19.465	24.000	-4.535	30.855	30.000	855		40.000	
CoQ	24.960	30.000	-5.040	27.769	35.000	-7.231	37.139	40.000	-2.861		40.000	
Identification	101.882	70.000	31.882	176.190	135.000	41.190	282.550	220.000	62.550		325.000	
Recording Devices	0	0	0	27.875	20.000	7.875	42.910	30.000	12.910		40.000	
Data Interpretation Centres-GenoEx PSE	900	2.500	-1.600	900	5.000	-4.100	8.700	7.500	1.200		10.000	
Milk PT	0	0	0	35.007	25.000	10.007	37.387	25.000	12.387		45.000	
Milk Analysers	0	0	0	0	0	0	28.000	0	28.000			
InterBeef	0	0	0	0	0	0	114.514	115.000	-486		115.000	
<i>Sales income</i>	<i>134.992</i>	<i>114.500</i>	<i>20.492</i>	<i>287.206</i>	<i>244.000</i>	<i>43.206</i>	<i>582.055</i>	<i>467.500</i>	<i>114.555</i>	<i>0</i>	<i>615.000</i>	
Technical-management support to ICAR	24.990	25.000	-10	49.980	50.000	-20	74.970	75.000	-30		100.000	
Special projects	0	0	0	4.600	0	4.600	4.600	0	4.600		8.110	
TOTAL REVENUES	159.982	139.500	20.482	341.786	294.000	47.786	661.625	542.500	119.125	0	723.110	
EXPENSES												
Employee related expenses	64.951	75.000	-10.049	158.034	150.000	8.034	218.108	225.000	-6.892		300.000	
Travel	6.251	2.500	3.751	10.643	7.000	3.643	12.905	8.500	4.405		10.000	
Office (rental and suppliers)	7.166	8.750	-1.584	16.258	17.500	-1.242	22.851	25.000	-2.149		35.000	
Administrative services (legal, account, audit, insurance, IT, bank...)	12.329	10.000	2.329	26.909	20.000	6.909	43.027	40.000	3.027		45.000	
Labels	2.360	2.500	-140	5.281	5.000	281	8.756	7.500	1.256		10.000	
CoQ	2.467	7.500	-5.033	10.109	8.500	1.609	12.369	10.000	2.369		10.000	
Identification	50.788	35.000	15.788	92.105	85.000	7.105	150.932	135.000	15.932		175.000	
Recording Devices	0	0	0	19.750	14.000	5.750	29.453	21.000	8.453		28.000	
Milk PT	0	0	0	17.587	12.500	5.087	17.587	14.000	3.587		25.000	
Milk Analysers	0	0	0	0	0		16.500	0	16.500			
InterBeef	0	0	0	0	0	0	100.000	100.000	0		100.000	
<i>Contract services</i>	<i>55.615</i>	<i>45.000</i>	<i>10.615</i>	<i>144.832</i>	<i>125.000</i>	<i>19.832</i>	<i>335.597</i>	<i>287.500</i>	<i>48.097</i>	<i>0</i>	<i>348.000</i>	
Depreciation	0	300	-300	0	600	-600	0	900	-900		1.200	
Special project expenses	435	0	435	435	0	435	3.435	0	3.435		0	
TOTAL OPERATING COSTS	146.746	141.550	5.196	357.111	320.100	37.011	635.923	586.900	49.023	0	739.200	
Operating profit / (loss)	13.236	-2.050	15.286	-15.325	-26.100	10.775	25.702	-44.400	70.102	0	-16.090	
Taxes	0	-500	500	0	-1.000	1.000	0	-1.500	1.500		-2.000	
NET INCOME (LOSS)	13.236	-2.550	15.786	-15.325	-27.100	11.775	25.702	-45.900	71.602	0	-18.090	