

Management Report

SERVICE-ICAR Srl

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



Prepared on

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Profit and Loss

January – December 2019

						Versus Budget		Versus Prior Year	
			Actual 31/12/2019	Budget 2019 31/12/2019	Actual 31/12/2018	Euro	%	Euro	%
REVENUES									
Sales income			785.053	615.000	639.140	170.053	28	145.913	23
Personnel services support			74.970	100.000	94.935	(25.030)	(25)	(19.965)	(21)
Other income			0	0	0	0		0	
Special projects			28.613	8.110	10.000	20.503	253	18.613	186
TOTAL REVENUES			888.636	723.110	744.075	165.526	23	144.561	19
EXPENSES									
Employee related expenses			311.108	290.000	319.818	21.108	7	(8.710)	(3)
Travel			13.075	10.000	11.780	3.075	31	1.295	11
Office (rental and supplies)			31.813	35.000	31.900	(3.187)	(9)	(87)	(0)
Administrative services (IT, account, insurance, legal, bank, audit...)			59.735	45.000	59.118	14.735	33	617	1
Contract services			462.944	358.000	381.510	104.944	29	81.434	21
Depreciation			130	1.200	0	(1.070)	(89)	130	
Special project expenses			8.522	0	5.781	8.522		2.741	47
TOTAL OPERATING COSTS			887.328	739.200	809.907	148.128	20	77.421	10
OPERATING PROFIT/ (LOSS)			1.309	(16.090)	(65.832)	17.399		67.140	
Taxes			0	(2.000)	0	2.000		0	
NET PROFIT (LOSS)			1.309	(18.090)	(65.832)	19.399		67.140	

Notes to Profit and Loss

As of December 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**
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 185.413
Cost for consultants: Euro 125.695
- 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. **This item was underestimated in the budget; the amount spent is close to 2018.**
- 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 meetings in February and November 2019 and staff costs.
- 10. Taxes**
N/A

Balance Sheet

As of December 31, 2019

			Year over Year (2019 vs. 2018)	
		Actual 31/12/2019	Actual 31/12/2018	Euro %
ASSETS				
Cash		232.872	266.637	(33.766) (13)
Trade receivable		84.354	66.141	18.214 28
Other receivables (VAT, taxes)		340	38.805	(38.465) (99)
Prepayments		1.638	3.198	(1.559)
TOTAL CURRENT ASSETS		319.204	374.780	(55.576) (15)
Fixed assets		455	585	(130) (22)
Financial assets (deposit)		3.600	3.600	0 0
TOTAL NON-CURRENT ASSETS		4.055	4.185	(130) (3)
TOTAL ASSETS		323.259	378.965	(55.706) (15)
EQUITY AND LIABILITIES				
Capital		10.400	10.400	0 0
Retained earnings		10.795	76.627	(65.832) (86)
Operating profit (loss)		1.308	(65.832)	67.140 (102)
MEMBER'S EQUITY		22.503	21.195	1.308 6
Severance Reserve Fund		35.330	26.094	9.237 35
Accounts payable		81.027	194.855	(113.828) (58)
Deferred income		184.399	136.822	47.577 35
LIABILITIES		300.756	357.770	(57.014) (16)
TOTAL LIABILITIES & EQUITY		323.259	378.965	(55.706) (15)

Notes to Balance Sheet

As of December 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. The audit allowed to recover the accumulated credit (42.223 Euro) through the payment of social charges during the year.
4. **Prepayments**
This is the amount already paid for office insurances for 2020.

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 January 2020 but related to December 2019.
9. **Deferred income**
The amount of 184.399 Euro refers mainly to income from two activities: ID and RD for which the related cost has not been yet paid. This year there is also a deferred income for MR (Milk Analysers). For information purposes, the backlog income and expenses are also reported below:

ID income backlog:	€93.170	expenses backlog:	€62.220
RD income backlog:	€64.845	expenses backlog:	€50.569
MR income backlog:	€14.000	expenses backlog:	€11.000

There is also an amount of 12.384 Euro refers to the advance payment received in December 2018 for the EU project SMARTER to be used in activities scheduled for 2020. The project will finalise in October 2022.

Appendix 1

Income Breakdown by Activities

End-year 2019 (All figures in Euro)

31st December 2019	Labels	CoQ	ID	RSD	Milk PT	Milk Analysers	InterBeef	Acc. DNA Data Centres	Total
Income	41.055	48.376	333.209	74.323	63.087	105.740	108.764	10.500	785.053
Cost	11.616	16.357	172.487	56.508	34.365	71.611	100.000	0	462.944
Actual Gross Margin	29.440	32.018	160.722	17.815	28.722	34.129	8.764	10.500	322.109
% Gross Margin	72%	66%	48%	24%	46%	32%	8%	100%	41%
Budgeted Gross Margin	30.000	30.000	150.000	12.000	20.000	0	15.000	10.000	267.000

End-year 2018 (All figures in Euro)

Dec. 2018	Labels	CoQ	ID	RSD	Milk PT	Milk Analysers	InterBeef	Acc. 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

	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	41.055	40.000	1.055
CoQ	24.960	30.000	-5.040	27.769	35.000	-7.231	37.139	40.000	-2.861	48.376	40.000	8.376
Identification	101.882	70.000	31.882	176.190	135.000	41.190	282.550	220.000	62.550	333.209	325.000	8.209
Recording Devices	0	0	0	27.875	20.000	7.875	42.910	30.000	12.910	74.323	40.000	34.323
Data Interpretation Centres-GenoEx PSE	900	2.500	-1.600	900	5.000	-4.100	8.700	7.500	1.200	10.500	10.000	500
Milk PT	0	0	0	35.007	25.000	10.007	37.387	25.000	12.387	63.087	45.000	18.087
Milk Analysers	0	0	0	0	0	0	28.000	0	28.000	105.740	0	105.740
InterBeef	0	0	0	0	0	0	114.514	115.000	-486	108.764	115.000	-6.236
<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>785.053</i>	<i>615.000</i>	<i>170.053</i>
Technical-management support to ICAR	24.990	25.000	-10	49.980	50.000	-20	74.970	75.000	-30	74.970	100.000	-25.030
Special projects	0	0	0	4.600	0	4.600	4.600	0	4.600	28.613	8.110	20.503
TOTAL REVENUES	159.982	139.500	20.482	341.786	294.000	47.786	661.625	542.500	119.125	888.636	723.110	165.526
EXPENSES												
Employee related expenses	64.951	75.000	-10.049	158.034	150.000	8.034	218.108	225.000	-6.892	311.108	300.000	11.108
Travel	6.251	2.500	3.751	10.643	7.000	3.643	12.905	8.500	4.405	13.075	10.000	3.075
Office (rental and suppliers)	7.166	8.750	-1.584	16.258	17.500	-1.242	22.851	25.000	-2.149	31.813	35.000	-3.187
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	59.735	45.000	14.735
Labels	2.360	2.500	-140	5.281	5.000	281	8.756	7.500	1.256	11.616	10.000	1.616
CoQ	2.467	7.500	-5.033	10.109	8.500	1.609	12.369	10.000	2.369	16.357	10.000	6.357
Identification	50.788	35.000	15.788	92.105	85.000	7.105	150.932	135.000	15.932	172.487	175.000	-2.513
Recording Devices	0	0	0	19.750	14.000	5.750	29.453	21.000	8.453	56.508	28.000	28.508
Milk PT	0	0	0	17.587	12.500	5.087	17.587	14.000	3.587	34.365	25.000	9.365
Milk Analysers	0	0	0	0	0		16.500	0	16.500	71.611	0	71.611
InterBeef	0	0	0	0	0	0	100.000	100.000	0	100.000	100.000	0
<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>462.944</i>	<i>348.000</i>	<i>114.944</i>
Depreciation	0	300	-300	0	600	-600	0	900	-900	130	1.200	-1.070
Special project expenses	435	0	435	435	0	435	3.435	0	3.435	8.522	0	8.522
TOTAL OPERATING COSTS	146.746	141.550	5.196	357.111	320.100	37.011	635.923	586.900	49.023	887.328	739.200	148.128
Operating profit / (loss)	13.236	-2.050	15.286	-15.325	-26.100	10.775	25.702	-44.400	70.102	1.309	-16.090	17.399
Taxes	0	-500	500	0	-1.000	1.000	0	-1.500	1.500	0	-2.000	2.000
NET INCOME (LOSS)	13.236	-2.550	15.786	-15.325	-27.100	11.775	25.702	-45.900	71.602	1.309	-18.090	19.399