

# Management Report

SERVICE-ICAR Srl

For the period 1<sup>st</sup> January – 30<sup>th</sup> June, 2019



THE GLOBAL STANDARD  
FOR LIVESTOCK DATA

Prepared on

July 19<sup>th</sup>, 2019

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# Profit and Loss

January – June 2019

				Versus Budget		Versus Prior Year	
	Actual 30/6/2019	Budget 2019 30/6/2019	Actual 30/6/2018	Euro	%	Euro	%
<b>REVENUES</b>							
Sales income	287.206	244.000	260.978	43.206	18	26.228	10
Personnel services support	49.980	50.000	47.445	(20)	(0)	2.535	5
Other income	0	0	0	0		0	
Special projects	4.600	0	0	4.600		4.600	
<b>TOTAL REVENUES</b>	<b>341.786</b>	<b>294.000</b>	<b>308.423</b>	<b>47.786</b>	<b>16</b>	<b>33.363</b>	<b>11</b>
<b>EXPENSES</b>							
Employee related expenses	158.034	150.000	154.803	8.034	5	3.232	2
Travel	10.643	7.000	6.537	3.643	52	4.106	63
Office (rental and supplies)	16.258	17.500	17.066	(1.242)	(7)	(808)	(5)
Administrative services (IT, account, insurance, legal, bank, audit...)	26.909	20.000	18.975	6.909	35	7.934	42
Contract services	144.832	125.000	156.783	19.832	16	(11.951)	(8)
Depreciation	0	600	0	(600)	(100)	0	
Special project expenses	435	0	0	435		435	
<b>TOTAL OPERATING COSTS</b>	<b>357.111</b>	<b>320.100</b>	<b>354.163</b>	<b>37.011</b>	<b>12</b>	<b>2.948</b>	<b>1</b>
<b>OPERATING PROFIT/ (LOSS)</b>	<b>(15.325)</b>	<b>(26.100)</b>	<b>(45.740)</b>	<b>10.775</b>		<b>30.416</b>	
Taxes		(1.000)	(873)	1.000		873	
<b>NET PROFIT (LOSS)</b>	<b>(15.325)</b>	<b>(27.100)</b>	<b>(46.613)</b>	<b>10.775</b>		<b>30.416</b>	

# Notes to Profit and Loss

As of June 30, 2019

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## 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 67.771  
Cost for consultants: Euro 90.263
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.
10. **Taxes**  
Not applicable during the year.

# Balance Sheet

As of June 30, 2019

			Year over Year (2019 vs. 2018)	
	Actual 30/06/2019	Actual 30/06/2018	Euro	%
<b>ASSETS</b>				
Cash	203.880	205.209	(1.329)	(1)
Trade receivable	58.579	79.181	(20.602)	(26)
Other receivables (VAT, taxes)	35.862	43.025	(7.163)	(17)
Prepayments	6.070	844	5.226	
<b>TOTAL CURRENT ASSETS</b>	<b>304.391</b>	<b>328.259</b>	<b>(29.094)</b>	<b>(9)</b>
Fixed assets	585	793	(208)	(26)
Financial assets (deposit)	3.600	3.600	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4.185</b>	<b>4.393</b>	<b>(208)</b>	<b>(5)</b>
<b>TOTAL ASSETS</b>	<b>308.576</b>	<b>332.652</b>	<b>(24.076)</b>	<b>(7)</b>
<b>EQUITY AND LIABILITIES</b>				
Capital	10.400	10.400	0	0
Retained earnings	10.795	76.627	(65.832)	(86)
Operating profit (loss)	(15.325)	(46.613)	31.288	(67)
<b>MEMBER'S EQUITY</b>	<b>5.870</b>	<b>40.414</b>	<b>(34.544)</b>	<b>(85)</b>
Severance Reserve Fund	26.094	16.974	9.120	54
Accounts payable	99.737	128.795	(29.058)	(23)
Deferred income	176.875	146.469	30.406	21
<b>LIABILITIES</b>	<b>302.705</b>	<b>292.237</b>	<b>(19.937)</b>	<b>(7)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>308.576</b>	<b>332.652</b>	<b>(24.076)</b>	<b>(7)</b>

# Notes to Balance Sheet

As of June 30, 2019

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## 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 6 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 July 2019 but related to June 2019.
- 9. Deferred income**  
The amount of 140.478 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: €72.855                      expenses backlog: €46.015  
RD income backlog: €67.623                      expenses backlog: €54.418  
There is 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.

## Appendix 1

### Income Breakdown by Activities

#### QTR2/2019 (All figures in Euro)

<b>30th June 2019</b>	<b>Labels</b>	<b>CoQ</b>	<b>ID</b>	<b>RSD</b>	<b>Milk PT</b>	<b>Milk Analysers</b>	<b>InterBeef</b>	<b>Acc. DNA Data Centres</b>	<b>Total</b>
Income	19.465	27.769	176.190	27.875	35.007	0	0	900	<b>287.206</b>
Cost	5.281	10.109	92.105	19.750	17.587	0	0	0	<b>144.832</b>
Actual Gross Margin	14.184	17.661	84.085	8.125	17.419	0	0	900	<b>142.374</b>
% Gross Margin	73%	64%	48%	29%	50%			100%	<b>50%</b>
Budgeted Gross Margin	30.000	30.000	150.000	12.000	20.000	0	15.000	10.000	<b>267.000</b>

## 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)
<b>REVENUES</b>												
Labels	7.250	12.000	-4.750	19.465	24.000	-4.535		30.000			40.000	
CoQ	24.960	30.000	-5.040	27.769	35.000	-7.231		40.000			40.000	
Identification	101.882	70.000	31.882	176.190	135.000	41.190		220.000			325.000	
Recording Devices	0	0	0	27.875	20.000	7.875		30.000			40.000	
Data Interpretation Centres-GenoExPSE	900	2.500	-1.600	900	5.000	-4.100		7.500			10.000	
Milk PT	0	0	0	35.007	25.000	10.007		25.000			45.000	
InterBeef	0	0	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>287.206</i>	<i>244.000</i>	<i>43.206</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	49.980	50.000	-20		75.000			100.000	
Special projects	0	0	0	4.600	0	4.600		0			8.110	
<b>TOTAL REVENUES</b>	<b>159.982</b>	<b>139.500</b>	<b>20.482</b>	<b>341.786</b>	<b>294.000</b>	<b>47.786</b>	<b>0</b>	<b>542.500</b>		<b>0</b>	<b>723.110</b>	
<b>EXPENSES</b>												
Employee related expenses	64.951	75.000	-10.049	158.034	150.000	8.034		225.000			300.000	
Travel	6.251	2.500	3.751	10.643	7.000	3.643		8.500			10.000	
Office (rental and suppliers)	7.166	8.750	-1.584	16.258	17.500	-1.242		25.000			35.000	
Administrative services (legal, account, audit, insurance, IT, bank...)	12.329	10.000	2.329	26.909	20.000	6.909		40.000			45.000	
						0						
Labels	2.360	2.500	-140	5.281	5.000	281		7.500			10.000	
CoQ	2.467	7.500	-5.033	10.109	8.500	1.609		10.000			10.000	
Identification	50.788	35.000	15.788	92.105	85.000	7.105		135.000			175.000	
Recording Devices	0	0	0	19.750	14.000	5.750		21.000			28.000	
Milk PT	0	0	0	17.587	12.500	5.087		14.000			25.000	
InterBeef	0	0	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>144.832</i>	<i>125.000</i>	<i>19.832</i>	<i>0</i>	<i>287.500</i>		<i>0</i>	<i>348.000</i>	
Depreciation	0	300	-300	0	600	-600		900			1.200	
Special project expenses	435	0	435	435	0	435		0			0	
<b>TOTAL OPERATING COSTS</b>	<b>146.746</b>	<b>141.550</b>	<b>5.196</b>	<b>357.111</b>	<b>320.100</b>	<b>37.011</b>	<b>0</b>	<b>586.900</b>		<b>0</b>	<b>739.200</b>	
<b>Operating profit / (loss)</b>	<b>13.236</b>	<b>-2.050</b>	<b>15.286</b>	<b>-15.325</b>	<b>-26.100</b>	<b>10.775</b>	<b>0</b>	<b>-44.400</b>		<b>0</b>	<b>-16.090</b>	
Taxes	0	-500	500	0	-1.000	1.000		-1.500			-2.000	
<b>NET INCOME (LOSS)</b>	<b>13.236</b>	<b>-2.550</b>	<b>15.786</b>	<b>-15.325</b>	<b>-27.100</b>	<b>11.775</b>	<b>0</b>	<b>-45.900</b>		<b>0</b>	<b>-18.090</b>	