

Designit T.L.V. Ltd.

Financial Statements

As at March 31, 2017

Designit T.L.V. Ltd.
Financial Statements
March 31, 2017

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**Auditor's Report to the Shareholders of
Designit T.L.V. Ltd.**

I have audited the accompanying balance sheets of Designit T.L.V. Ltd. (hereinafter – “the Company”) as at March 31, 2017 and 2016, and the Company’s statements of operations and the statements of changes in shareholders’ equity for the years ended on those dates. These financial statements are the responsibility of the Company’s Board of Directors and its Management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards, including those prescribed by the Auditors’ Regulations (Auditor’s Mode of Performance), 1973. Those standards require that I plan and perform the audits to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the Company’s Board of Directors and its Management, as well as evaluating the overall financial-statement presentation. I believe that my audits provide an appropriate basis for my opinion.

In my opinion, the above-mentioned financial statements present fairly, in accordance with generally accepted accounting principles, in all material respects, the financial position of the Company at March 31, 2017 and 2016, and the results of its operations and the changes in its shareholders’ equity for each of the years ended on those dates – based on the historical cost convention in nominal historical values.

As stated in Note 2, the above-mentioned financial statements are presented in reported amounts, in accordance with accounting standards of the Israeli Accounting Standards Board.


Nativ Ben-Zeev
Certified Public Accountant (Isr.)

May 29, 2017

Designit T.L.V. Ltd.
Balance Sheets

		<u>As at</u>	
		<u>March</u>	<u>March</u>
		<u>31</u>	<u>31</u>
		<u>2017</u>	<u>2016</u>
<u>Note</u>	<u>New Israeli Shekels</u>		
ASSETS			
<u>Current Assets</u>			
		2,784,798	792,770
		450,095	30,151
	3	1,857,039	4,583,776
	4	<u>1,215,527</u>	<u>957,628</u>
		6,307,459	6,364,324
<u>Investments</u>			
		-	<u>953,427</u>
<u>Fixed Assets</u>			
	2, 5	<u>2,119,823</u>	<u>292,937</u>
<u>Other Assets</u>			
		<u>2,880</u>	<u>2,880</u>
		<u>8,430,162</u>	<u>7,613,569</u>
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
		100,000	10,730
		396,796	179,367
	6	<u>3,199,516</u>	<u>4,479,666</u>
		3,696,516	4,669,763
<u>Long-Term Liabilities</u>			
	7	<u>501,454</u>	-
<u>Shareholders' Equity</u>			
	8-10	<u>4,232,396</u>	<u>2,943,805</u>
		<u>8,430,162</u>	<u>7,613,569</u>



 Manager

The notes to the financial statements are an integral part thereof.

Designit T.L.V. Ltd.
Statements of Operations

	Year Ended	Year Ended
	March	March
	2017	2016
Note		
Revenues	15,148,962	16,341,502
Cost of work performed (List A)	(7,344,754)	(8,321,215)
Gross profit	7,804,208	8,020,287
Administrative and general expenses (List B)	(6,024,700)	(6,410,987)
Income before financing expenses	1,779,509	1,609,300
Financing income/(expenses)	<u>136,031</u>	<u>(70,323)</u>
Income after financing expenses	1,915,539	1,538,977
Other income	<u>(4,406)</u>	<u>15,201</u>
Income before taxes on income	1,911,133	1,554,178
Taxes on income	<u>(622,542)</u>	<u>(439,522)</u>
Net income for the period	<u>1,288,590</u>	<u>1,114,656</u>

The notes to the financial statements are an integral part thereof.

Designit T.L.V. Ltd.
Statements of Changes in Shareholders' Equity

	<u>Note</u>	<u>Share Capital</u>	<u>Premium on Shares</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
New Israeli Shekels						
Balance at December 31, 2014		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>1,207,629</u>	<u>1,829,149</u>
Income for the period January –March 2016		—	—	—	1,114,656	1,114,656
Balance at March 31, 2016		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>2,322,285</u>	<u>2,943,805</u>
Income for the period April 2016 –March 2017		—	—	—	1,288,590	1,293,578
Balance at March 31, 2017		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>3,610,876</u>	<u>4,232,396</u>

The notes to the financial statements are an integral part thereof.

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2017

Note 1 – General

- A. The Company was established on March 1, 2005 and commenced its activities on the same date.
- B. The Company is engaged in provision of services in the area of product design.
- C. As part of the said issuance, the Company's name was changed from "Nicenet Ltd." to "Designit T.L.V. Ltd." (see also Note 13).

Note 2 – Significant Accounting Policies

A. Effect of Changes in the Purchasing Power of the Israeli Currency and Transition to Reported Amounts

- (1) These financial statements are prepared on the basis of reported amounts as required by standards of the Israeli Accounting Standards Board.
- (2) A reported amount for purposes of the accounting standards is the adjusted amount as at the transition date (December 31, 2003) plus amounts in nominal values added after the transition date and less amounts eliminated after this date.

B. Fixed Assets

The fixed assets are presented at cost less accumulated depreciation.

The depreciation is calculated based on the "straight-line" method at the following rates:

	<u>%</u>
Computers	33
Electronic equipment	15
Furniture and equipment	7
Vehicles	15
Leasehold improvements	10

C. Statement of Cash Flows

A statement of cash flows was not prepared since, in the opinion of Company management, it would not add significant information to the financial statements.

D. Inventory of Work in Process

The Company commenced application in these financial statements of Accounting Standard No. 26 "Inventory". Pursuant to this Standard, the Company capitalized to the cost of the inventory of work in process the direct costs in respect of this work. The Company monitors the inventory of work in process on an orderly basis commencing from December 31, 2012.

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2017

Note 3 – Trade Receivables

	March 31	March 31
	2017	2016
	New Israeli Shekels	
Trade receivables	2,055,019	4,613,276
Less – provision for doubtful debts	<u>(197,980)</u>	<u>(29,500)</u>
	<u>1,857,039</u>	<u>4,583,776</u>

Note 4 – Other Receivables and Debit Balances

	March 31	March 31
	2017	2016
	New Israeli Shekels	
Sister companies	52,337	66,011
Advances to suppliers	4,595	16,564
Income receivable	946,849	875,053
Prepaid expenses	<u>211,747</u>	<u>-</u>
	<u>1,215,527</u>	<u>957,628</u>

Note 5 – Fixed Assets less Accumulated Depreciation

	Cost		Accumulated Depreciation		Depreciated Cost	
	March	March	March	March	March	March
	2017	2016	2017	2016	2017	2016
	New Israeli Shekels					
Computers	761,855	601,104	590,129	538,129	171,726	62,975
Electronic equipment	211,857	163,689	112,984	89,286	98,873	74,403
Leasehold improvements	1,771,115	58,716	133,350	28,140	1,637,765	30,576
Vehicles	37,760	37,760	-	-	37,760	37,760
Furniture and equipment	<u>271,722</u>	<u>175,355</u>	<u>98,023</u>	<u>88,132</u>	<u>173,699</u>	<u>87,223</u>
	<u>3,054,309</u>	<u>1,036,624</u>	<u>934,486</u>	<u>743,687</u>	<u>2,119,823</u>	<u>292,937</u>

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2017

Note 6 – Other Payables and Credit Balances

	March 31	March 31
	2017	2016
	New Israeli Shekels	
Sister company	1,105,443	2,573,706
Provision for bonus	843,733	533,095
Assessing Officer	–	–
Salary-related agencies, Employees	654,316	575,153
Value Added Tax	98,694	460,316
Assessing officer	172,542	145,488
Accrued expenses	4,595	15,000
Advances from customers	201,084	22,076
Provision for recreation (see also Note 9B)	46,321	31,223
Provision for vacation	53,437	78,790
Credit companies	19,351	44,820
	3,199,516	4,479,666

Note 7 – Loan to Designit A/S

In 2014 the Company gave a loan to the Holding Company (Designit A/S) 250,000 Dollars. The loan bears 3.23% interest per year.
In 2016 the Company received a loan for office renovation from Designit Group.

Note 8 – Share Capital

	At March 31, 2017		
	Authorized	Issued	Paid-Up
Ordinary shares of NIS 1 par value	<u>50,000</u>	<u>85</u>	<u>85</u>

Note 9 – Acquisition by the Company of its Own Shares

- A. On September 28, 2006, the Company undertook with one of its shareholders to acquire 34 of the Company's shares in exchange for a consideration of NIS 100,000.
- B. The Company presents the acquisition of its shares as a redemption of equity, by means of proportionately reducing the balance of the share capital and retained earnings as at January 1, 2007

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2017

Note 10 – Issuance of Shares

During August 2012, an agreement was signed between the Company's shareholders and a foreign company from Denmark (hereinafter – "the Holdit Group"), whereby the Holdit Group acquired 50% of the Company's shares, for a consideration of €695 thousand. In addition, the Holdit Group acquired a further 10% of the Company's shares in exchange for an investment of €139 thousand in the Company's share capital.

After execution of the said transaction, the Holdit Group holds 60% of the Company's shares, while the remaining 40% is held by the prior shareholders.

As part of the transaction it was determined that only the individual shareholders will be entitled to withdrawal as a dividend the entire amount of the Company's surplus as at June 30, 2012, subject to the Company's cash flow capabilities.

During 2013, a reorganization process is scheduled to begin within the Group that could also impact the Company.

During 2015, Wipro Limited has purchased 100% of Designit Group.

Note 11 – Related Parties

A. Balance Sheet Balances

	March 31	March 31
	2017	2016
	New Israeli Shekels	
Designit Group	(1,025,238)	(2,440,441)
Designit Madrid	(17,187)	-
Designit Munich	31,219	(1,151)
Designit Oslo	(63,019)	(44,106)
Designit New York	-	66,011
Designit Tokyo	633	-
Designit Sweden	-	(28,338)
Designit Denmark	20,485	(35,417)
	<u>(1,053,106)</u>	<u>(2,507,695)</u>

Designit T.L.V. Ltd.
Notes to the Financial Statements
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B. Revenues and Expenses

	March 31	March 31
	2017	2016
	New Israeli Shekels	
<u>Revenues</u>		
Designit Munich	88,283	230,245
Designit Sweden	-	144,286
Designit London	688,208	-
Designit Oslo	151,742	12,047
Designit New York	359,813	66,011
Designit Tokyo	633	-
Designit Group	255,514	140,054
Designit Denmark	<u>620,151</u>	<u>1,727,558</u>
	<u>2,144,344</u>	<u>2,320,201</u>
<u>Expenses</u>		
Designit Munich	55,913	635
Designit Sweden	-	27,255
Designit Madrid	13,053	524,140
Designit Oslo	170,654	56,061
Designit Group	1,472,616	1,165,844
Designit Denmark	<u>7,008</u>	<u>201,769</u>
	<u>1,719,247</u>	<u>1,975,704</u>

Designit T.L.V. Ltd.

List A – Cost of Work Performed
March 31, 2017

	<u>March 31</u>	<u>March 31</u>
	<u>2017</u>	<u>2016</u>
	<u>New Israeli Shekels</u>	
Salaries -Designers	6,252,790	5,779,107
Foreign travel	106,647*	424,938*
Subcontractors	<u>985,316</u>	<u>2,117,171</u>
	<u>7,344,754</u>	<u>8,321,215</u>

* Reclassified.

Designit T.L.V. Ltd.
List B – Administrative and General Expenses
March 31, 2017

	<u>March 31</u>	<u>March 31</u>
	<u>2017</u>	<u>2016</u>
	<u>New Israeli Shekels</u>	
Salaries and salary-related expenses, Administration	1,819,331	2,656,341
Commissions to banks and credit companies	26,862	24,492
Messengers and deliveries	16,401	10,141
Maintenance and cleaning	82,569	62,654
Communications	73,098	110,488
Entertainment	38,530	177,110
Insurance	46,042	58,483
Office expense	36,984	47,358
Professional services	229,525	248,546
Fees and impositions	1,144	3,659
Advertising	115,955	56,508
PC requirements	74,796	131,196
Office rent	623,067	337,701
Electricity	17,751	27,845
Vehicle maintenance (including depreciation)	93,711	322,341
Office Insurance	28,395	13,230
Professional literature and professional education	47,470	31,254
Municipal taxes	131,505	47,911
Legal fees	86,920	234,950
Domestic travel	13,251	29,060
Foreign travel	291,035*	282,016*
Refreshments and gifts	198,762	148,813
Fines	406	1,036
Management fees to Holding Company	1,565,947	1,210,859
Uncollectable debts	168,480	29,500
Depreciation	<u>196,760</u>	<u>107,495</u>
	<u>6,024,700</u>	<u>6,410,987</u>

* Reclassified.

