

Designit T.L.V. Ltd.

Financial Statements

As at March 31, 2018

Designit T.L.V. Ltd.
Financial Statements
March 31, 2018

Contents

	<u>Page</u>
Auditor's Report	2
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Shareholders' Equity	5
Notes to the Financial Statements	6–10
Cost of Work Performed (List A)	11
Administrative and General Expenses (List B)	12

Ben-Zeev Nativ
C.P.A (Isr)
Hagiborim 57 C, Hadera
Tel: 972-6-6326306 Fax: 972-4-6228039

בן-זאב נתיב
רואה חשבון
הגיבורים 57 ג', חדרה
טלפון: 04-6326306 פקס: 04-6228039

**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 March 31, 2018 and 2017, 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 March 31, 2018 and 2017, 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.

I draw attention to the contents of Note 2 (B) (2) of the financial statements regarding new policy of depreciation profile and no correction of comparison numbers.

Sd/-

Nativ Ben-Zeev
Certified Public Accountant (Isr.)

May 27, 2018

Designit T.L.V. Ltd.
Balance Sheets

		<u>As at</u>	
		<u>March</u>	<u>March</u>
		<u>31</u>	<u>31</u>
		<u>2018</u>	<u>2017</u>
		<u>New Israeli Shekels</u>	
	<u>Note</u>		
ASSETS			
<u>Current Assets</u>			
Cash		2,726,376	2,784,798
Deposits		450,095	450,095
Trade receivables	3	6,112,668	1,857,039
Other receivables and debit balances	4	<u>1,337,103</u>	<u>1,215,527</u>
		<u>10,626,241</u>	<u>6,307,459</u>
<u>Fixed Assets</u>			
Fixed assets less accumulated depreciation	2, 5	<u>1,413,325</u>	<u>2,119,823</u>
<u>Other Assets</u>			
Establishment expenses		<u>2,880</u>	<u>2,880</u>
		<u>12,042,447</u>	<u>8,430,162</u>
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Checks payable		-	100,000
Trade payables		2,168,219	396,796
Other payables and credit balances	6	<u>3,154,296</u>	<u>3,199,516</u>
		<u>5,322,516</u>	<u>3,696,312</u>
<u>Long-Term Liabilities</u>			
Loan	7	<u>581,129</u>	<u>501,454</u>
<u>Shareholders' Equity</u>			
	8-10	<u>6,138,803</u>	<u>4,232,396</u>
		<u>12,042,447</u>	<u>8,430,162</u>

Sd/
Manager

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

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

	<u>Year Ended</u> <u>March</u>	<u>Year Ended</u> <u>March</u>
	<u>2018</u>	<u>2017</u>
<u>Note</u>		
Revenues	19,805,383	15,148,962
Cost of work performed (List A)	(9,317,169)	(7,344,754)
Gross profit	10,488,214	7,804,208
Administrative and general expenses (List B)	(7,656,293)	(6,024,700)
Income before financing expenses	2,831,921	1,779,509
Financing income/(expenses)	(304,846)	136,031
Income after financing expenses	2,527,076	1,915,540
Other income	-	(4,406)
Income before taxes on income	2,527,076	1,911,133
Taxes on income	(620,669)	(622,542)
Net income for the period	<u>1,906,407</u>	<u>1,288,590</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>
<u>New Israeli Shekels</u>						
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		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,288,590</u>	<u>1,288,590</u>
Balance at March 31, 2017		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>3,610,875</u>	<u>4,232,396</u>
Income for the period April 2017 –March 2018		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,906,407</u>	<u>1,906,407</u>
Balance at March 31, 2018		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>5,517,282</u>	<u>6,138,803</u>

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

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2018

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 "Nicenef 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.

In 2018 due to change of fixed assets policy by parent company, Designit TLV has changed the calculation of depreciation according to new policy to the following rates:

	<u>%</u>
Computers	50
Electronic equipment	20
Furniture and equipment	20
Leasehold improvements	20

The parent company decided that items less than 1000 EUR should be fully depreciated in the year in which it was purchased.

Depreciation for Tax Authorities is calculated according to Israeli rules.

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.

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2018

Note 3 – Trade Receivables

	March 31	March 31
	2018	2017
	New Israeli Shekels	
Trade receivables	6,137,668	2,055,019
Less – provision for doubtful debts	<u>(25,000)</u>	<u>(197,980)</u>
	<u>6,112,668</u>	<u>1,857,039</u>

Note 4 – Other Receivables and Debit Balances

	March 31	March 31
	2018	2017
	New Israeli Shekels	
Sister companies	314,795	52,337
* Vehicle deposit and gas suppliers	36,674	-
Advances to supplier	10,383	4,595
Income receivable	718,088	946,849
Prepaid expenses	<u>257,163</u>	<u>211,747</u>
	<u>1,337,103</u>	<u>1,215,527</u>

* Reclassified.

Note 5 – Fixed Assets less Accumulated Depreciation

	Cost		Accumulated Depreciation		Depreciated Cost	
	March	March	March	March	March	March
	2018	2017	2018	2017	2018	2017
	New Israeli Shekels					
Computers	196,068	761,855	120,980	590,129	75,088	171,726
Electronic equipment	96,199	211,857	48,688	112,984	47,511	98,873
Leasehold improvements	1,772,399	1,771,115	552,076	133,350	1,220,323	1,637,765
* Vehicles	-	37,760	-	-	-	37,760
Furniture and equipment	<u>108,093</u>	<u>271,722</u>	<u>37,690</u>	<u>98,023</u>	<u>70,403</u>	<u>173,699</u>
	<u>2,172,759</u>	<u>3,054,309</u>	<u>759,434</u>	<u>934,486</u>	<u>1,413,325</u>	<u>2,119,823</u>

* Reclassified.

Notes to the Financial Statements
March 31, 2018

Note 6 – Other Payables and Credit Balances

	<u>March 31</u>	<u>March 31</u>
	<u>2018</u>	<u>2017</u>
	<u>New Israeli Shekels</u>	
Sister company	1,911,313	1,105,443
Provision for bonus	375,637	843,733
Salary-related agencies, Employees	317,967	654,316
Value Added Tax	246,157	98,694
Assessing officer	82,919	172,542
Accrued expenses	47,485	4,595
Advances from customers	17,053	201,084
Provision for recreation	41,436	46,321
Provision for vacation	77,888	53,437
Credit companies	<u>36,441</u>	<u>19,351</u>
	<u>3,154,296</u>	<u>3,199,516</u>

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

	<u>At March 31, 2018</u>		
	<u>Authorized</u>	<u>Issued</u>	<u>Paid-Up</u>
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, 2018

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
	2018	2017
	New Israeli Shekels	
Designit Group	-	(1,025,238)
Designit Madrid	(465)	(17,187)
Designit Munich	-	31,219
Designit Oslo	-	(63,019)
Designit Tokyo	-	633
Designit Sweden	-	-
Designit Denmark	-	<u>20,485</u>
	<u>(465)</u>	<u>(1,053,106)</u>

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

B. Revenues and Expenses

	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
	<u>New Israeli Shekels</u>	
<u>Revenues</u>		
Designit Munich	839,922	88,283
Designit London	6,152	688,208
Designit Oslo	-	151,742
Designit New York	-	359,813
Designit Tokyo	-	633
Designit Group	217,682	255,514
Designit Denmark	-	<u>620,151</u>
	<u>1,063,756</u>	<u>2,144,344</u>
<u>Expenses</u>		
Designit Munich	523,605	55,913
Designit London	228,865	-
Designit Madrid	282,944	13,056
Designit Oslo	11,968	170,654
Designit New York	31,749	-
Designit Group	1,798,851	1,472,616
Designit Denmark	-	<u>7,008</u>
	<u>2,877,982</u>	<u>1,719,247</u>

Designit T.L.V. Ltd.

List A – Cost of Work Performed
March 31, 2018

	<u>March 31</u>	<u>March 31</u>
	<u>2018</u>	<u>2017</u>
	<u>New Israeli Shekels</u>	
Salaries -Designers	5,446,927	6,252,790
Foreign travel	121,419	106,647*
Subcontractors	<u>3,748,823</u>	<u>985,316</u>
	<u>9,317,169</u>	<u>7,344,754</u>

* Reclassified.

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

	<u>March</u> <u>31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
	<u>New Israeli Shekels</u>	
Salaries and salary-related expenses, Administration	2,906,750	1,819,331
Commissions to banks and credit companies	19,547	26,862
Messengers and deliveries	4,569	16,401
Maintenance and cleaning	76,638	82,569
Communications	73,579	73,098
Entertainment	102,881	38,530
Insurance	40,011	46,042
Office expense	23,209	36,984
Professional services	290,383	229,525
Fees and impositions	1,120	1,144
Advertising	144,157	115,958
PC requirements	79,529	74,796
Office rent	706,733	623,067
Electricity	29,847	17,751
Vehicle maintenance (including depreciation)	75,185	93,711
Office Insurance	28,605	28,395
Professional literature and professional education	24,421	47,470
Municipal taxes	195,107	131,505
Legal fees	53,054	86,920
Domestic travel	16,027	13,251
Foreign travel	27,487	291,035*
Refreshments and gifts	201,438	198,762
Fines	-	406
Management fees to Holding Company	1,792,516	1,565,947
Uncollectable debts	(28,980)	168,480
Depreciation (see also Note 2B(2))	<u>772,482</u>	<u>196,760</u>
	<u>7,656,293</u>	<u>6,024,700</u>

* Reclassified.

