

Designit T.L.V. Ltd.

Financial Statements

As at March 31, 2019

Designit T.L.V. Ltd.
Financial Statements
March 31, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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.

sd
Nativ Ben-Zeev
Certified Public Accountant (Isr.)

May 20, 2019

Designit T.L.V. Ltd.
Balance Sheets

		As at	
		March	March
		31	31
		2019	2018
	Note	New Israeli Shekels	
ASSETS			
<u>Current Assets</u>			
Cash		3,120,410	2,726,376
Deposits		450,094	450,095
Trade receivables	3	3,544,040	6,112,668
Other receivables and debit balances	4	<u>1,431,646</u>	<u>1,337,103</u>
		<u>8,546,190</u>	<u>10,626,241</u>
<u>Fixed Assets</u>			
Fixed assets less accumulated depreciation	2, 5	<u>1,012,964</u>	<u>1,413,325</u>
<u>Other Assets</u>			
Establishment expenses		<u>2,880</u>	<u>2,880</u>
		<u>9,562,040</u>	<u>12,042,447</u>
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Checks payable		-	-
Trade payables		489,912	2,168,219
Other payables and credit balances	6	<u>1,850,812</u>	<u>3,154,296</u>
		<u>2,340,724</u>	<u>5,322,516</u>
<u>Long-Term Liabilities</u>			
Loan	7	<u>-</u>	<u>581,129</u>
<u>Shareholders' Equity</u>			
	8-10	<u>7,221,315</u>	<u>6,138,802</u>
		<u>9,562,040</u>	<u>12,042,447</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 March</u>	<u>Year Ended March</u>
	<u>2019</u>	<u>2018</u>
<u>Note</u>		
Revenues	18,880,309	19,805,383
Cost of work performed (List A)	<u>(11,035,730)</u>	<u>(10,448,118)</u>
Gross profit	7,844,579	9,357,265
Administrative and general expenses (List B)	<u>(6,573,508)</u>	<u>(6,525,344)</u>
Income before financing expenses	1,271,071	2,831,922
Financing income/(expenses)	<u>146,927</u>	<u>(304,846)</u>
Income after financing expenses	1,417,998	2,527,076
Other income	----- -	----- -
Income before taxes on income	1,417,998	2,527,076
Taxes on income	<u>(335,485)</u>	<u>(620,669)</u>
Net income for the period	<u>1,082,513</u>	<u>1,906,406</u>

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

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

	Note	Share Capital	Premium on Shares	Capital Reserve	Retained Earnings	Total
						New Israeli Shekels
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>1,906,406</u>	<u>1,906,406</u>
Balance at March 31, 2018		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>5,517,281</u>	<u>6,138,803</u>
Income for the period April 2018 –March 2019		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,082,513</u>	<u>1,082,513</u>
Balance at March 31, 2019		<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>6,599,794</u>	<u>7,221,315</u>

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

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2019

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.

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, 2019

Note 3 – Trade Receivables

	<u>March 31</u> <u>2019</u>	<u>March 31</u> <u>2018</u>
	<u>New Israeli Shekels</u>	
Trade receivables	3,569,040	6,137,668
Less – provision for doubtful debts	<u>(25,000)</u>	<u>(25,000)</u>
	<u>3,544,040</u>	<u>6,112,668</u>

Note 4 – Other Receivables and Debit Balances

	<u>March 31</u> <u>2019</u>	<u>March 31</u> <u>2018</u>
	<u>New Israeli Shekels</u>	
Sister companies	433,105	314,795
* Vehicle deposit and gas suppliers	36,948	36,674
Advances to supplier	14,035	10,383
Income receivable	695,981	718,088
Prepaid expenses	<u>251,576</u>	<u>257,163</u>
	<u>1,431,646</u>	<u>1,337,103</u>

* Reclassified.

Note 5 – Fixed Assets less Accumulated Depreciation

	<u>Cost</u>		<u>Accumulated Depreciation</u>		<u>Depreciated Cost</u>	
	<u>March</u>	<u>March</u>		<u>March</u>	<u>March</u>	<u>March</u>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>New Israeli Shekels</u>					
Computers	271,688	196,068	208,518	120,980	63,170	75,088
Leasehold improvements	1,778,466	1,772,399	906,746	552,076	871,720	1,220,323
* Furniture and equipment	<u>204,292</u>	<u>204,292</u>	<u>126,218</u>	<u>86,378</u>	<u>78,073</u>	<u>117,914</u>
	<u>2,254,446</u>	<u>2,172,759</u>	<u>1,241,482</u>	<u>759,434</u>	<u>1,012,964</u>	<u>1,413,325</u>

* Reclassified

Notes to the Financial Statements
March 31, 2019

Note 6 – Other Payables and Credit Balances

	<u>March 31</u>	<u>March 31</u>
	<u>2019</u>	<u>2018</u>
	<u>New Israeli Shekels</u>	
Sister company	31,396	1,911,313
Provision for bonus	291,301	375,637
Salary-related agencies, Employees	762,453	317,967
Value Added Tax	198,268	246,157
Assessing officer	174,735	82,919
Accrued expenses	163,277	47,485
Advances from customers	70,030	17,053
Provision for recreation	40,442	41,436
Provision for vacation	98,246	77,888
Credit companies	<u>20,664</u>	<u>36,441</u>
	<u>1,850,812</u>	<u>3,154,296</u>

Note 7 – Loan to Designit A/S

In 2016 the Company received a loan 2.7 Million ILS. for office renovation from Designit Group
 In 2017 the loan balance is 501,454 ILS.
 In 2018 the loan balance is 581,129 ILS.
 In 2018 the loan was paid completely.

Note 8 – Share Capital

	<u>At March 31, 2019</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, 2019

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

	<u>March 31</u> <u>2019</u>	<u>March 31</u> <u>2018</u>
	<u>New Israeli Shekels</u>	
Designit Group	(31,396)	*(1,596,053)
Designit Madrid	-	(465)
Cooper Software Inc	<u>433,105</u>	<u>-</u>
	<u>401,709</u>	<u>(1,596,519)</u>

Designit T.L.V. Ltd.
Notes to the Financial Statements
March 31, 2019

B. Revenues and Expenses

	<u>March 31</u>	<u>March 31</u>
	<u>2019</u>	<u>2018</u>
	<u>New Israeli Shekels</u>	
<u>Revenues</u>	-	
Designit Munich	-	839,922
Designit London	-	6,152
Cooper Software Inc	295,430	-
Designit Group	<u>600,828</u>	<u>217,682</u>
	<u>896,258</u>	<u>1,063,756</u>
<u>Expenses</u>		
Designit Munich	-	523,605
Designit London	5,730	228,865
Designit Madrid	185,790	282,944
Designit Oslo	-	11,968
Designit New York	-	31,749
Designit Denmark	5,270	-
Designit Group	1,342,358	1,798,851
Designit Colombia	<u>201,294</u>	<u>-</u>
	<u>1,740,443</u>	<u>2,877,982</u>

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* Reclassified

** Expenses do not include currency differences

Designit T.L.V. Ltd.

List A – Cost of Work Performed
March 31, 2019

	<u>March 31</u>	<u>March 31</u>
	<u>2019</u>	<u>2018</u>
	<u>New Israeli Shekels</u>	
Salaries -Designers	7,213,898	*6,577,876
Foreign travel	563,900	121,419
Subcontractors	<u>3,257,932</u>	<u>3,748,823</u>
	<u>11,035,730</u>	<u>10,448,118</u>

* Reclassified

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

	<u>March</u>	<u>March</u>
	<u>31</u>	<u>31</u>
	<u>2019</u>	<u>2018</u>
	<u>New Israeli Shekels</u>	
Salaries and salary-related expenses, Administration	2,558,369	*1,775,801
Commissions to banks and credit companies	22,651	19,547
Messengers and deliveries	4,522	4,569
Maintenance and cleaning	100,374	76,638
Communications	64,582	73,579
Entertainment	23,409	102,881
Insurance	29,913	40,011
Office expense	22,654	23,209
Professional services	394,221	290,383
Fees and impositions	1,705	1,120
Advertising	125,166	144,157
PC requirements	114,231	79,529
Office rent	713,174	706,733
Electricity	29,483	29,847
Vehicle maintenance (including depreciation)	82,438	75,185
Office Insurance	38,233	28,605
Professional literature and professional education	28,463	24,421
Municipal taxes	201,231	195,107
Legal fees	68,170	53,054
Domestic travel	28,293	16,027
Foreign travel	40,646	27,487
Refreshments and gifts	162,831	201,438
Management fees to Holding Company	1,236,705	1,792,516
Uncollectable debts	-	(28,980)
Depreciation (see also Note 2B(2))	<u>482,047</u>	<u>772,482</u>
	<u>6,573,508</u>	<u>6,525,344</u>

* Reclassified

