

Designit T.L.V. Ltd.

Financial Statements

As at March 31, 2023

Financial Statements at March 31, 2023

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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, 2023 and 2022, 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, 2023 and 2022

8, 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 11, 2023

Balance Sheets

	<u>note</u>	<u>31.03.23</u>	<u>31.03.22</u>		<u>note</u>	<u>31.03.23</u>	<u>31.03.22</u>
		<u>New Israeli Shekels</u>				<u>New Israeli Shekels</u>	
ASSETS				LIABILITIES AND EQUITY			
Current Assets				Current Liabilities			
Cash		1,079,353	1,672,416	Loan from Designit A/S	8	1,053,162	-
Trade receivables	3	2,110,444	3,549,285	Trade payables		246,232	266,330
Other receivables	4	1,562,200	1,114,214	Other payables and credit balances	6	3,711,837	1,908,399
		<u>4,751,997</u>	<u>6,335,914</u>			<u>5,011,231</u>	<u>2,174,729</u>
Non – Current Assets				Non – Currents Liabilities			
Net Fixed assets	2,5	247,520	309,935				
Use right assets (IFRS 16)	10	1,863,370	2,421,931	Liability for lease (IFRS 16)	10	1,719,893	2,255,512
Establishment expenses		2,880	2,880				
		<u>2,113,770</u>	<u>2,734,746</u>				
				Shareholders' Equity	7-9	134,643	4,640,418
		<u>6,865,767</u>	<u>9,070,660</u>			<u>6,865,767</u>	<u>9,070,660</u>

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Manager

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

Statements of Operations

	<u>Note</u>	<u>Year</u>	<u>Year</u>
		<u>Ended</u>	<u>Ended</u>
		<u>31.03.23</u>	<u>31.03.22</u>
<u>New Israeli Shekels</u>			
Revenues		12,072,998	13,714,789
Cost of work performed (List A)		<u>(9,993,995)</u>	<u>(8,902,389)</u>
Gross profit		2,079,003	4,812,401
Administrative and general expenses (List B)		<u>(6,462,128)</u>	<u>(5,836,204)</u>
Income (loss) before financing expenses		(4,383,125)	(1,023,803)
Financing income/(expenses)		<u>(122,650)</u>	<u>(311,096)</u>
Income (loss) before taxes on income		(4,505,775)	(1,334,900)
Taxes on income		<u>-</u>	<u>-</u>
Net income (loss) for the period		<u><u>(4,505,775)</u></u>	<u><u>(1,334,900)</u></u>

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

Statements of Changes in Shareholders' Equity

	Share Capital	Premium on Shares	Capital Reserve	Retained Earnings	Total
	New Israeli Shekels				
Balance at March 31, 2021	<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>5,353,794</u>	<u>5,975,316</u>
Income for the period April 2021 –March 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,334,900)</u>	<u>(1,334,900)</u>
Balance at March 31, 2022	<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>4,018,894</u>	<u>4,640,418</u>
Loss for the period April 2022 –March 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,505,775)</u>	<u>(4,505,775)</u>
Balance at March 31, 2023	<u>85</u>	<u>698,447</u>	<u>(77,012)</u>	<u>(486,881)</u>	<u>134,643</u>

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

Notes to the Financial Statements March 31, 2023**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

- (1) The fixed assets are presented at cost less accumulated depreciation.
 (2) 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:

	%
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.

As of October 2021, a company has changed the rate of reduction of computers to 33% and mobile phones to 50% instead of their complete depreciation, comparison numbers have not been corrected.

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.

Note 3- Trade Receivables

	31.03.23	31.03.22
	New Israeli Shekels	
Trade receivables	2,110,444	3,549,285
Less – provision for doubtful debts	-	-
	<u>2,110,444</u>	<u>3,549,285</u>

Notes to the Financial Statements March 31, 2023**Note 4- Other Receivables**

	31.03.23	31.03.22
	New Israeli Shekels	
Assessing officer	79,890	52,684
Sister companies	1,318,162	-
Income receivable	93,393	998,878
Prepaid expenses	70,755	62,652
	<u>1,562,200</u>	<u>1,114,214</u>

Note 5- Fixed Assets less Accumulated Depreciation

	Cost		Accumulated Depreciation		Depreciated Cost	
	31.03.23	31.03.22	31.03.23	31.03.22	31.03.23	31.03.22
	New Israeli Shekels		New Israeli Shekels		New Israeli Shekels	
Computers	548,458	468,296	423,463	340,997	124,995	127,299
Leasehold improvements	2,061,505	2,061,505	1,941,920	1,884,043	119,585	177,463
Furniture and equipment	212,334	212,334	209,394	207,161	2,940	5,173
	<u>2,822,297</u>	<u>2,742,136</u>	<u>2,574,777</u>	<u>2,432,201</u>	<u>247,520</u>	<u>309,935</u>

Note 6- Other Payables and Credit Balances

	31.03.23	31.03.22
	New Israeli Shekels	
Sister company	2,108,657	332,533
Provision for bonus	75,680	106,336
Value Added Tax	3,822	227,280
Salary-related agencies, Employees	972,243	978,355
Accrued expenses	335,033	61,267
Provision for recreation	54,227	37,824
Provision for vacation	149,710	132,768
Credit companies	12,465	32,037
	<u>3,711,837</u>	<u>1,908,399</u>

Notes to the Financial Statements March 31, 2023**Note 7- Share Capital**

	<u>Authorized</u>	<u>Issued</u>	<u>Paid Up</u>
	<u>At March 31, 2023</u>		
Ordinary shares of NIS 1 par value	<u>50,000</u>	<u>85</u>	<u>85</u>

Note 8- Acquisition by the Company of its Own Shares

- A. On December 14, 2022, the company received a loan from the parent company in the amount of 270 thousand euros which bears interest Euro Short-term Rate ("ESTR") rate plus 85 basis points.

Note 9- 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.

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 10- Leases

The company chose to implement the standard retrospectively, and presented the cumulative effect of implementing the standard for the first time in coordination with the opening balance of the surplus on the first date of application, ie March 31, 2019.

At the date of first implementation, real estate and group leases that were treated as operating leases were recognized as assets and liabilities in the report on the Group's financial situation as follows:

- Lease commitments were recognized and measured at the date of initial application for the current value of remaining lease payments, be capitalized by using the group's additional interest rate on each lease at the time of first application.
- The right of use has been recognized and measured at the time of application for the first time in the books value as if the standard had been implemented from the date the lease was started, But capitalized on the lessee's additional interest rate at the time of application for the first time.

The cost of the asset is a right of use consists of the first measurement amount of a lease commitment, any lease payments made on or before the start date and initial direct costs.

Subsequently, a right of use is measured at cost less deduction accumulated depreciation and Impairment losses.

Where the Group is committed to the costs of dismantling and removing the base asset, restoring the site where the asset is located or replaced against the cost IAS 37 the underlying asset for a condition that is in accordance with the terms of the lease, the group Recognizes the provision in accordance with Property right of use unless these costs are Incurred to produce inventory.

Notes to the Financial Statements March 31, 2023**Note 11- Option's plan for employees**

During the year 2020, options of the parent company were issued to one of company's employees. According to the option plan, in 2021 and 2022 the parent company debited the company for 26,791 And (81,835), respectively. This amount was reflected at these financial statements as a part of option plan expenses.

Note 12- Related Parties

	31.03.23	31.03.22
	New Israeli Shekels	
<u>Balance Sheet Balances:</u>		
Designit A/S	(288,475)	(227,447)
Designit North America Inc	67,143	-
Designit Spain Digital S.L.U	(727,162)	-
Designit Denmark A/S	60,446	(33,940)
Designit Germany GmbH	(132,082)	-
Designit Oslo AS	530,299	-
Designit Denmark A/S Branch in London	(547,953)	-
Designit Tokyo Co., Ltd	9,838	-
Designit A/S Branch in Australia	114,007	-
Designit Sweden AB	54,139	-
Wipro Limited	69,305	(71,145)
	<u>(790,495)</u>	<u>(332,532)</u>

Revenues and Expenses

	31.03.23	31.03.22
	New Israeli Shekels	
Revenues		
Designit North America Inc	66,659	-
Designit Spain Digital S.L.U	186,602	19,379
Designit Denmark A/S	60,776	189,963
Designit Germany GmbH	120,229	-
Designit Oslo AS	540,090	-
Designit Denmark A/S Branch in London	208,916	-
Wipro Limited	490,470	83,190
Designit Tokyo Co., Ltd	9,892	-
Designit A/S Branch in Australia	54,435	-
Designit Sweden AB	54,139	-
Designit A/S	-	1,257,681
	<u>1,792,208</u>	<u>1,550,214</u>
Expenses		
Designit North America Inc	3,968	-
Designit Spain Digital S.L.U	844,657	-
Designit Germany GmbH	251,658	972
Designit Oslo AS	6,895	-
Designit Denmark A/S Branch in London	704,785	-
Wipro Limited	347,673	29,288
Designit A/S	-	1,415,207
	<u>2,159,636</u>	<u>1,445,467</u>

List A – Cost of Work Performed

	Year Ended	Year Ended
	31.03.23	31.03.22
	New Israeli Shekels	
Salaries -Designers	8,488,912	8,026,329
Foreign travel	32,032	15,510
Subcontractors	1,473,051	860,550
	<u>9,993,995</u>	<u>8,902,389</u>

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

List B – Administrative and General Expenses

	Year Ended	Year Ended
	31.03.23	31.03.22
	New Israeli Shekels	
Salaries and salary related expenses, Administration	2,324,505	2,251,273
Commissions to banks and credit companies	21,550	80,521
Messengers and deliveries	4,138	6,382
Maintenance and cleaning	98,258	86,624
Communications	36,531	34,300
PC requirements	155,461	107,177
Entertainment	9,754	6,127
Insurance	46,833	40,210
Office expense	32,050	28,517
Professional services	197,806	311,629
Reimbursement of expenses to Holding Company	2,138,067	1,414,885
Fees and impositions	3,099	1,182
Advertising	23,510	15,860
Office Insurance	32,197	37,117
Office rent	135,800	121,920
Electricity	14,934	20,666
Vehicle maintenance (including depreciation)	6,537	18,697
Uncollectable debts	-	4,500
Professional literature and professional education	57,852	42,114
Municipal taxes	209,503	76,231
Legal fees	64,545	1,624
Domestic travel	3,638	2,916
Foreign travel	8,744	5,532
Options plan for employees (see Note 11)	(81,835)	26,971
Refreshments and gifts	217,513	187,821
Fines	-	100
Donations	-	2,640
Depreciation of use right (see Note 10)	558,561	617,188
Depreciation	142,577	285,483
	<u>6,462,128</u>	<u>5,836,204</u>

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