6 September 2019

ETHERNITY NETWORKS LTD

("Ethernity Networks" or the "Company" or the "Group")

Interim results for the six months ended 30 June 2019 ("H1")

Ethernity Networks Ltd (AIM: ENET.L), announces its interim results for the six months ended 30 June 2019. Ethernity Networks provides innovative networking and security solutions on programmable hardware for accelerating telecom and cloud networks. Ported onto any Field Programmable Gate Array (FPGA), Ethernity offers complete data plane processing with a rich set of networking features, robust security, to allow improved performances of a wide range of virtual functions to optimise networks. The ACE-NIC SmartNICs, ENET Flow Processors, and turnkey network appliances offer best-in-class fully programmable platforms for the telecoms, cloud service provider and enterprise markets. Ethernity offers complete solutions that enables customers to stop burning CPU cores and to quickly adapt to changing conditions, improving time-to-market and facilitating the deployment of edge computing, 5G User Plane Functionality (UPF) and Network Function Virtualization (NFV).

Financial summary:

- Revenues increased 2.2 times to $971,709 (H1 2018: $441,247)
- Gross profit increased 2.8 times to $843,002 (H1 2018: $299,647)
- EBITDA loss reduced by 56% to $485,451 (H1 2018: $1,111,989)
- Operating loss reduced by 23% to $981,774 (H1 2018: $1,276,489)
- Cash and cash deposits balances at 30 June 2019 of $5.9m (31 December 2018 $8.6m) (30 June 2018: $11.9m).

EBITDA	Unaudited		Audited
	30 June 2019	**30 June 2018**	**31 December 2018**
	US$	US$	US$
Revenues	**971,709**	**441,247**	**1,123,707**
Operating Profit (Loss)	(981,774)	(1,276,489)	(2,785,731)
Add: Depreciation	128,945	42,283	100,918
Add: Amortisation	367,378	122,217	322,724
EBITDA	**(485,451)**	**(1,111,989)**	**(2,362,089)**

Operational highlights:

- Downward trends of 2017 and 2018 reversed with revenue increasing, reflecting increased revenues from contracts signed.
- Operating costs, excluding amortisation and depreciation reduced by 5%.
- ACENIC-100 selected by FiberHome to be promoted to FiberHome's core Chinese telecom operator clients serving tens of millions of households, including China Unicom, China Telecom, and others.
- Successfully completed delivery of the Company`s ACENIC-100 to a major Korean OEM.
- Advanced discussions to supply Ethernity's current Universal Edge Platform (UEP) and next generation 400Gbps UEP devices and solutions to potential Ethernet Access Market, Mobile Backhaul, and Fiber To The Home (FTTH) customers.

- Continued positive reception to the Company's product offerings with Tier1 OEM's.

Further to the annual results for 2018 and information published in the Company`s Annual Report in June of this year, the operational highlights to date in 2019 are as follows:

- Revenue growth in the first half of 2019 was bolstered mainly from the two contracts signed in the latter part of 2018 along with increased recurring revenues derived from previous ENET flow processor engagement, and a licensing deal.
- In January 2018 we announced that an ASIC licensing contract with an existing customer for 5G fixed wireless Customer Premise Equipment (CPE) that uses Ethernity's FPGA on their 5G fixed wireless base node had been put on hold as the customer had decided to accept a proposal from the Company to use our ENET FPGA SoC for serving business customers with ultra-speed wireless connections. Following successful trials of the customer's 5G base station node with the Company's ENET4200 FPGA SoC embedded, the customer intends to complete a rollout of wireless CPE devices targeted for business customers based on its in house Radio ASIC design and Ethernity's ENET3825 CPE FPGA SoC. Deployment of the 5G wireless CPE is planned for H2 2020. Subject to the overall success of the customer's business and the number of units deployed, it is anticipated that this will result in significant annual revenues, commencing 2021 onwards.
- During the three months since the announcement of the 2018 annual results, the Company has had ongoing positive dialogue regarding the Company's 5G offering for its User Plane Functionality (UPF) acceleration proposal based on the ACENIC-100 with Tier1 Service providers and operators. 5G mobile networks are expected to start deployment during 2020 and are based on virtualized environments. With the increase throughput of the 5G mobile network, acceleration of the User Data Plane at the edge of the network has become a core requirement compared to existing 4G mobile networks. This is expected to result in a significantly higher than anticipated demand for the FPGA Smart NIC product for this specific market.
- The Company anticipates concluding agreements over the next six months with Tier1 OEM customers in the Cable Modem Termination System (CMTS), Fiber To The Home (FTTH) Broadband deployment and Ethernet Access Devices (EAD) markets, as previously stated, with rollout and production plans now anticipated for 2020, with mass deployment beginning towards the end of 2020

David Levi, Chief Executive Officer of Ethernity Networks, commented:

"The first half results and growth are in-line with our expectations with the focus being on the Company moving from an IP/technology provider to a solutions provider for virtual networking and security appliances. The licensing contracts signed with Tier1 OEM's represents part of the change we anticipated and is expected to develop into stable recurrent revenue from royalties. The goal of the Company's development activities is to build stable recurrent revenues from technology licensing and supply of our ACENIC-100 and UEP products.

"We have continued with the successful advancement of our UEP hardware platform that will host our field proven flow processor for general edge access deployment with a complete programmable platform. Furthermore, development of the 'Router on a NIC' offering, ACE-NIC FPGA, Smart NIC, and the progress achieved in accepting virtualization especially in the 5G mobile market should, we believe, fuel major revenue streams for the Company going forward."

"We remain confident that Ethernity will meet its long-term objectives and is well positioned to become one of the key solutions providers in its marketplace."

For further information, please contact:

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MARKET ABUSE REGULATION

The information communicated in this Announcement is inside information for the purposes of Article 7 of Market Abuse Regulation 596/2014 ("MAR"). For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Mark Reichenberg, Chief Financial Officer

OPERATIONAL AND FINANCIAL REVIEW

The challenging market trends continued through the first six months of 2019, including the discussion and evaluation process with potential customers not being entirely within our control. However, the Company is experiencing positive results from focusing on becoming a solutions provider and from the engagement with customers previously during 2018. In 2019, ongoing customer engagement activity has increased substantially. There has been significant progress related to the ACENIC, EAD, UEP and licensing deals, some of which we are hoping to be completed over the remaining months of 2019.

Whilst we had previously commented that the adoption of the new networking virtualisation market in which we operate was delayed by some 12 months from when originally anticipated, we are now beginning to experience the market entering engagement and deployment stages. We remain confident in the long term prospects of the Company and this is supported by the number of ongoing project collaborations around the Company's ACENIC, EAD, UEP and royalty revenues streams.

During the period under review, the Company delivered revenues of $971,709 (H1 2018: $441,247) and a gross profit of $843,002 (H1 2018 $299,647). The gross profit percentage of 86.8% (H1 2018: 67.9%) is higher as compared to the six months ended 31 December 2018 ("H2 2018") due to the different product mix within the revenue, where design wins and royalty revenue, which are near 100% gross margin, contributing 76.9% of revenue in H12019 compared to 55.4% in H1 2018.

EBITDA loss in the first six months of the year was $485,451 (H1 2018 loss: $1,111,989), which is primarily a result of the Company's increased revenue, including increased gross margins achieved.

Operating expenses (including share-based compensation costs and amortisation costs), as a percentage of revenues were 357% in H1 2018, decreasing to 189% of revenues for H1 2019. The increases in operating costs in H1 2019 is attributable mainly to the increase in amortisation costs of $245,161 on the Intangible Assets, with all other operating expenditure being in line with expectations. Operating costs excluding amortisation and depreciation reduced in H1 2019 by 5.2% compared to the same period in H1 2018.

Cash, cash deposits and cash equivalents are $5.9m as at 30 June 2019 (31 December 2018 $8.6m) (H1 2018: $11.9million). Cash utilisation, a key focus for the board, remained in line with expectations during H1, and was approximately $2.7m of which circa $2.0.m was deployed as investment in intangible assets.

SEGMENT REPORT sector analysis						
Region	**Six months ended 30 June 2019**	**2019 %**	**Six months ended 30 June 2018**	**2018 %**	**Year ended 31 December 2018**	**2018 %**
United States	588,680	60.6%	46,239	10.5%	478,600	42.6%
Israel	277,188	28.5%	215,114	48.8%	324,220	28.9%
Asia	105,840	10.9%	102,754	23.3%	203,000	18.1%
Europe	0	0.0%	77,140	17.5%	117,888	10.5%
Total	**971,708**	**100.0%**	**441,247**	**100.0%**	**1,123,708**	**28.6%**

The shifting of the geographic mix is represented by the makeup of the products supplied, where in the first half of the current financial year the revenues were weighted towards foreign design wins while royalty revenues in Israel increased. The trend is expected to continue during the second half of the year as design wins and product supply focussing on the Tier1 OEMs outside of Israel continues to grow.

Outlook

The Board remains confident that, on the basis of timely completion of major contracts in the current pipeline, Ethernity will meet its long-term objectives and is well positioned to become one of the key solutions providers in its marketplace. The Company continues to experience an increase in the outreach by OEM's and operators interested in Ethernity's solutions where these solutions are proving increasingly aligned with operators wish to make to their customers in their market places. Network service providers are requiring more flexible solutions to their technology and network needs for offloading support of new data appliances introduced by the market. Ethernity believes it has the best-in-class system solutions to address these needs.

FORWARD LOOKING STATEMENTS

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect Ethernity Networks' view with respect to future events as at the date of this announcement. Save as required by law or by the AIM Rules for Companies, Ethernity Networks undertakes no obligation to publicly revise any forward-looking statements in this announcement, following any change in its expectations or to reflect events or circumstances after the date of this announcement.

By order of the Board

Mark Reichenberg
Company Secretary
6 September 2019

Interim Unaudited Financial Statements
as at 30 June 2019

STATEMENTS OF FINANCIAL POSITION

	US dollars		
	30 June		31 December
	2019	2018	2018
	Unaudited		Audited
ASSETS			
Current			
Cash and cash equivalents	3,418,538	2,715,633	473,815
Other short-term financial assets	2,520,023	9,144,555	8,083,709
Trade receivables	551,812	586,203	642,085
Inventories	114,390	8,600	116,012
Other current assets	234,392	483,560	409,250
Current assets	**6,839,155**	**12,938,551**	**9,724,871**
Non-Current			
Property and equipment	589,895	328,039	606,057
Deferred tax assets	800,000	800,000	800,000
Intangible asset	8,843,950	5,101,645	6,869,815
Right-of-use asset	384,761	-	-
Non-current assets	**10,618,606**	**6,229,684**	**8,275,872**
Total assets	**17,457,761**	**19,168,235**	**18,000,743**
LIABILITIES AND EQUITY			
Current			
Short Term Borrowings	-	-	133,497
Trade payables	346,708	330,710	288,308
Other current liabilities	1,250,310	1,009,081	1,084,728
Current liabilities	**1,597,018**	**1,339,791**	**1,506,533**
Non-Current			
IIA royalty liability	-	-	6,578
Long Term Borrowings	-	6,415	-
Lease liability	284,258	-	-
Non-current liabilities	284,258	6,415	**6,578**
Total liabilities	**1,881,276**	**1,346,206**	**1,513,111**
Equity			
Share capital	8,039	8,028	8,039
Share premium	23,396,310	23,356,078	23,396,310
Other components of equity	840,006	757,137	760,849
Accumulated deficit	(8,667,870)	(6,299,214)	(7,677,566)
Total equity	**15,576,485**	**17,822,029**	**16,487,632**
Total liabilities and equity	**17,457,761**	**19,168,235**	**18,000,743**

The accompanying notes are an integral part of the interim financial statements.

STATEMENTS OF COMPREHENSIVE LOSS

	US dollars		
	Six months ended 30 June		For the year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Revenue	971,709	441,247	1,123,707
Cost of sales	128,707	141,600	311,194
Gross profit	**843,002**	**299,647**	**812,513**
Research and development expenses	279,881	197,010	473,489
General and administrative expenses	718,140	600,662	1,291,175
Impairment losses of financial assets	-	-	132,799
Marketing expenses	837,208	778,464	1,804,886
Other income	(10,453)	-	(104,105)
Operating loss	**(981,774)**	**(1,276,489)**	**(2,785,731)**
Financing costs	(59,235)	(26,385)	(15,450)
Financing income	50,705	134,037	253,992
Net comprehensive loss for the period	**(990,304)**	**(1,168,837)**	**(2,547,189)**
Basic and diluted loss per ordinary share	**(0.03)**	**(0.04)**	**(0.08)**
Weighted average number of ordinary shares for basic and diluted loss per share	32,556,686	32,518,186	32,526,149

The accompanying notes are an integral part of the interim financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Amounts in US dollars (except number of shares)					
	Capital of shares	Share Capital	Share premium	Other components of equity	Accumulated deficit	Total equity
Balance at 1 January 2019 (Audited)	**32,556,686**	**8,039**	**23,396,310**	**760,849**	**(7,677,566)**	**16,487,632**
Employee share-based compensation	-	-	-	79,157	-	79,157
Net comprehensive loss for the period	-	-	-	-	(990,304)	(990,304)
Balance at 30 June 2019 (Unaudited)	**32,556,686**	**8,039**	**23,396,310**	**840,006**	**(8,667,870)**	**15,576,485**
Balance at 1 January 2018 (Audited)	**32,518,186**	**8,028**	**23,356,078**	**615,322**	**(5,130,377)**	**18,849,051**
Employee share-based compensation	-	-	-	141,815	-	141,815
Net comprehensive loss for the period	-	-	-	-	(1,168,837)	(1,168,837)
Balance at 30 June 2018 (Unaudited)	**32,518,186**	**8,028**	**23,356,078**	**757,137**	**(6,299,214)**	**17,822,029**
Balance at 1 January 2018 (Audited)	**32,518,186**	**8,028**	**23,356,078**	**615,322**	**(5,130,377)**	**18,849,051**
Employee share-based compensation	-	-	36,393	145,527	-	181,920
Exercise of employee options	38,500	11	3,839	-	-	3,850
Net comprehensive loss for the year	-	-	-	-	(2,547,189)	(2,547,189)
Balance at 31 December 2018 (Audited)	**32,556,686**	**8,039**	**23,396,310**	**760,849**	**(7,677,566)**	**16,487,632**

The accompanying notes are an integral part of the interim financial statements.

STATEMENTS OF CASH FLOWS

	US dollars		
	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Operating activities			
Net comprehensive loss for the period	(990,304)	(1,168,837)	(2,547,189)
Non-cash adjustments			
Depreciation of property and equipment	72,638	42,283	100,918
Depreciation of right of use asset	56,307	-	-
Share-based compensation	16,769	18,951	5,031
Amortisation of intangible assets	367,378	122,217	322,724
Amortisation of liabilities	2,048	(13,623)	(13,255)
IPO related costs	-	-	(9,514)
Foreign exchange gains on cash balances	5,251	-	(24,517)
Net changes in working capital			
Decrease (increase) in trade receivables	90,273	(72,238)	(128,120)
Decrease (increase) in inventories	1,622	(8,600)	(116,012)
Decrease (increase) in other current assets	174,858	(45,295)	29,015
Increase in trade payables	58,400	105,623	63,221
Increase in other liabilities	63,348	80,464	162,320
Net cash used in operating activities	**(81,412)**	**(939,055)**	**(2,155,378)**
Investing activities			
Decrease of other short-term financial assets	5,563,686	1,924,917	2,985,763
Purchase of property and equipment	(56,476)	(214,482)	(551,135)
Amounts carried to intangible assets	(2,279,125)	(1,930,445)	(3,835,583)
Net cash provided by (used in) investing activities	**3,228,085**	**(220,010)**	**(1,400,955)**
Financing activities			
Proceeds from exercise of options	-	-	3,850
Repayment of IIA liability	(12,470)	(5,301)	(5,300)
Proceeds from (repayment of) short term borrowings	(133,497)	-	133,497
Repayment of long-term borrowings	-	(1,107)	(7,522)
Repayment of lease liability	(50,732)	-	-
Net cash provided by (used in) financing activities	**196,699)**	**(6,408)**	**124,525**
Net change in cash and cash equivalents	2,949,974	(1,165,473)	(3,431,808)
Cash and cash equivalents, beginning of year	473,815	3,881,106	3,881,106
Exchange differences on cash and cash equivalents	(5,251)	-	24,517
Cash and cash equivalents, end of year	3,418,538	2,715,633	473,815
Supplementary information:			
Interest and lease finance expenses paid during the year	9,874	-	813
Interest received during the year	50,705	113,117	197,949
Supplementary information on non-cash activities:			
Share-based compensation capitalised to intangible assets	62,388	122,864	186,403
Investment in a right of use and lease obligation	441,068	-	-

The accompanying notes are an integral part of the interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

ETHERNITY NETWORKS LTD. (hereinafter: the "Company"), was incorporated in Israel on the 15th of December 2003 as Neracore Ltd. The Company changed its name to ETHERNITY NETWORKS LTD. on the 10th of August 2004.

The Company develops and delivers high-end network processing technology for Carrier Ethernet switching, including broadband access, mobile backhaul, Carrier Ethernet demarcation and data centres. The Company's customers are situated throughout the world.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Basis of presentation of the financial statements and statement of compliance with IFRS

The interim condensed financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements in accordance with IFRS and should be read in conjunction with the Company's annual financial statements as at 31 December 2018. The accounting policies applied in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018 except as described below with respect to the implementation of new international financial reporting standards that became effective during the interim period.

The interim financial statements for the half-year ended 30 June 2019 (including comparative amounts) were approved and authorized for issue by the board of directors on 5 September 2019.

New Standard adopted as at 1 January 2019

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases' and three related interpretations. This completes the IASB's long running project to overhaul lease accounting. IFRS 116 defines a Lease as '*a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration*'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company,
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

In accordance with IFRS 16, Leases are recorded in the statement of financial position in the form of a right-of-use asset and a corresponding lease liability for the future rentals to be paid.

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Lease liability

The Lease liability is initially recorded at the present value of the future rental payments, discounted over the likely period of the lease (including extensions which are reasonably certain), using the interest rate implicit in the Lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. On the statement of financial position, the current maturities of lease liabilities have been included in other current liabilities.

Each lease payment is allocated between the liability and finance expenses. The finance expenses are charged to profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In order to determine the impact of IFRS 16, the Company was required to perform a full review of all agreements in order to assess whether any additional contracts or parts thereof will now be classified as a Lease under IFRS 16's new definition. The Company has adopted IFRS 16 as from 1 January 2019, while using the practical expedient, allowing it to avoid performing a full review of its existing leases and to only apply IFRS 16 to new or modified contracts. IFRS 16 also allows an exemption from its application, for operating leases with a remaining lease term of less than 12 months and for leases of low-value assets. The Company has elected to account for short-term leases and leases of low-value assets using the IFRS 16 practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The annual depreciation rates applied, to the operating lease right-of-use assets, are:

Office buildings and parking	25%

The Company has adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. However, the adoption did not have an effect on equity. Comparative information is not restated which means that comparative information is still reported under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.3%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The table below shows the cumulative effects of the sections affected by the first-time application on the financial statement at 1 January 2019:

	US dollars		
	In accordance with the previous policy	first time application	In accordance with IFRS 16
		Unaudited	
Right-of-use asset	-	441,068	441,068
Current maturities of lease liability	-	102,731	102,731
Non-current lease liability	-	338,337	338,337

Following is the impact on the Company's assets and liabilities as of 30 June 2019:

	US dollars		
	In accordance with the previous policy	first time application	In accordance with IFRS 16
		Unaudited	
Right-of-use asset	-	384,761	384,761
Current maturities of lease liability	-	106,078	106,078
Non-current lease liability	-	284,258	284,258

Future minimum lease payments at 30 June 2019 were as follows:

	US dollars		
	Within one year	One to five years	Total
		Unaudited	
Lease payments	120,458	299,478	419,936
Finance charges	(14,380)	(15,220)	(29,600)
Net present values	106,078	284,258	390,336

Estimates

When preparing the Interim Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended 31 December 2018.

NOTE 3 - FINANCING COSTS

	US dollars		
	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Bank fees and interest	6,726	8,320	15,450
Lease liability financial expenses	8,820	-	-
Exchange rate differences	43,689	18,065	-
Total financing costs	59,235	26,385	15,450

NOTE 4 - FINANCING INCOME

	US dollars		
	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Interest and amortization of loan discount	-	20,183	20,417
Interest received	50,705	113,854	197,949
Exchange rate differences	-	-	35,626
Total financing income	50,705	134,037	253,992

NOTE 5 - SEGMENT REPORTING

The Company has implemented the principles of IFRS 8, in respect of reporting segmented activities. In terms of IFRS 8, the management has determined that the Company has a single area of business, being the development and delivery of high-end network processing technology.

The Company's revenues from customers are recognised as follows:

	US dollars		
	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Revenues recognised over time	565,000	145,000	412,750
Revenues recognised at a point of time	406,709	296,247	710,958
	971,709	441,247	1,123,708

The Company's revenues are divided into the following geographical areas:

	US dollars		
	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Asia	105,840	102,754	203,000
Europe	-	77,140	117,888
Israel	277,189	215,114	324,220
United States	588,680	46,239	478,600
	971,709	441,247	1,123,708

	%		
	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited		Audited
Asia	10.9%	23.3%	18.1%
Europe	0.0%	17.5%	10.5%
Israel	28.5%	48.7%	28.9%
United States	60.6%	10.5%	42.6%
	100.0%	100.0%	100.0%

Revenue from customers in the company's domicile, Israel, as well as its major market, the United States, Asia and Europe, have been identified on the basis of the customer's geographical locations.

NOTE 6 - SUBSEQUENT EVENTS

On 25 July 2019, the Board of Directors' approved the granting of 180,000 employee stock options to employees, vesting over a four-year period and expiring 10 years from the date of the grant. The exercise price of these options is GBP 1.00.