7 September 2016

Starcom Plc
("Starcom" or the "Company")

Interim Results
For the 6 months ended 30 June 2016

Starcom (AIM: STAR), which specialises in the development of wireless solutions for the remote tracking, monitoring and protection of a variety of assets and people, announces its interim results for the six months ended 30 June 2016.

Highlights

- Revenue for the period of $2.5m (H1 2015: $2.6m)
- Gross margin of 38% (FY 2015; 40% and H1 2015:44%)
- Loss for the period after tax reduced to $613,000 (H1 2015: $691,000)
- Successful fundraising of £450,000 ($648,000) before expenses
- Launch of Watchlock Pro in June
- Strong sales pipeline for H2

Avi Hartmann, CEO of Starcom, commented "Although first half results are broadly similar to the same period in 2015, there are a number of sales opportunities being pursued, including following the launch of Watchlock Pro, which are expected to lead to a significant improvement in the second half of the year."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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CHAIRMAN'S STATEMENT

I am pleased to report the unaudited results for the six months period ended 30 June 2016. Revenues were $2,507,000 (2015 H1: $2,634,000), whilst gross margin was 38%, compared to 40% for full year 2015 (2015 H1: 44%). Net loss for the period after tax was $612,677 (2015 H1: $691,312)

During the period, a placing of new shares at 1.5p per share raised £450,000 ($648,000) before expenses. This has provided sufficient working capital for the present needs of the Company at its current and near term expected levels of business.

We have directed considerable effort and activity in promoting our range of products this year. We have made some staff changes in our sales and marketing team, as well as the appointment of new distributors in a number of areas. As previously announced, we have also begun a more targeted approach in the USA with a new office in Miami and a small dedicated team is now in place. We know this will take time to develop fully, but already in a relatively short period of time we have engaged with a number of potential new customers. Several pilots are now in progress and we are making product adjustments, where needed, based on the feedback received. We are therefore hopeful that we will begin to make serious inroads into this market with a number of local partners.

We have also succeeded in making progress with some major insurance companies in the US and Europe, which are beginning to recognise the benefits of our products as means of better protecting valuable cargoes and are therefore prepared to offer financial benefits to their customers to encourage the use of our products. Achieving this recognition has been a long term aim of the Company and it is pleasing to see our efforts coming to fruition which should hopefully boost demand.

The first half results include $845,000 of SAS revenues which continue to show growth. These SAS revenues were not at their full potential in the first half due to customer delays in activating the software. We believe this will be rectified in the second half, resulting in further growth in SAS revenues. For this reason, and due to the dominance of the Helios Standard in the sales mix (which we are working to change as explained below), there was a decrease in total gross margin compared to the corresponding period last year (although a marginal improvement on the second half of last year) . As referred to in previous statements, Helios Standard is in a price-competitive market place and in certain cases we have chosen to accept a lower margin in order to benefit from the monthly ongoing recurring SAS revenues.

Overheads are now stabilised at a lower level than in the past and inventories have reduced since the year end. In addition, recently, we have been able to negotiate better pricing for some of the items manufactured in Taiwan, which should assist in future sales.

Products

Helios

The Helios Hybrid is proving a successful product justifying a unit price that is some six times the price of the standard model and recurring fees about twenty times the standard model due to the satellite connections. We have continued to make steady sales of the Standard, Advanced and TT models but also seek to benefit from the more profitable and unique Hybrid model. Market response to the Hybrid is good, including reports on more efficient use of fleets, better safety and more effective tracking procedures.

The arrangements with Pinnacle in Kenya progressed well during the first half but they have been rather slow in installing and connecting the units purchased so far into our systems. This has held back some of the SAS revenues that would have been received in the period as mentioned above. We do anticipate that this will change during the second half of the year.

Watchlock

The new version of the Watchlock known as Watchlock Pro was effectively only launched into the market during July 2016, yet some sales have already been booked following the launch. Its extended battery life and lower cost is expected to appeal to a wider variety of customers. We are also working on an even simpler version to be known as Watchlock 1.5 which we hope to launch before the end of the calendar year. This will be a lighter and even cheaper version of the Watchlock Pro and will incorporate much of the original electronic boards for the earlier Watchlock 1.0 which will enable us to utilise existing component inventory. In addition we have succeeded in selling a number of the earlier versions thus reducing stock of those items.

Tetis

The Tetis is gradually being accepted into the market but sales still remained slow in the first half of the year. Customers mentioned in previous reports are still undergoing further trials with the product and so far have expressed satisfaction with the results. And, as referred to above, we have now achieved recognition by a few major insurers whereby, in the case of valuable cargoes being shipped in containers, the cost of the Tetis is effectively offset by a waiver issued by the insurance company to remove the inspection fees they would otherwise charge. This will make Tetis self-financing which we see as a breakthrough for the Tetis offering. We are working to recruit partners to provide the installation services. We have recently signed a small trial order under this system through our Miami office and are hopeful that larger orders will follow. We have also received very positive interest from distributors in Asia and South America.

Further development of the Tetis has taken place so as to extend battery life in dry reefers and improve the network coverage worldwide by upgrading the modem.

Kylos
The latest addition to the Kylos range is called the Kylos Air which is a monitoring system for the safe delivery of air cargo. This product incorporates light, temperature, accelerometer and new barometric sensors. It complies with the Federal Aviation Administration Regulations which require the cellular's modem to be deactivated on takeoff and reactivated automatically on landing. This has attracted considerable interest and once all necessary approvals have been obtained we are hopeful that orders will follow.

SAS
We are pleased to record increased revenues from the software based tracking service. We offer over 20 new features on our Starcom Online system including the ability to set unit parameters and provide full support in vehicle maintenance. This recurring revenue stream is expected to continue to show further growth.

Financial Report

Group revenues for the period were $2.5m, compared with $2.6m for the six months ended 30 June 2015, a decrease of 5%.

The gross margin for the period was 38% showing a decrease of 6%, compared with 44% for same period in 2015, but a smaller decrease compared to 40% for the full year 2015. The decrease is mainly explained by the price erosion in the Standard Helios as commented on above.

Major savings of 26% in general and administrative expenses were achieved: ($1m in the period compared with $1.35m for the six months ended 30 June 2015). The management salaries in the general and administrative expenses were decreased by $0.2m.

Operating loss decreased to $0.44m (18% of revenues) compared with an operating loss of $0.5m for the six months ended 30 June 2015, an improvement of 11%.

The Group balance sheet showed an increase in trade receivables to $1.5m. In the period ended 30 June 2016. There were no material provisions against debtors. Group inventories for the period were $1.9m, compared to $2.2m as at 31 December 2015, showing a decrease of $0.2m.

Trade payables for the period were $1.4m, compared with $1.3m as at 31 December 2015, showing an increase of $0.1m.

Net cash used in operating activities for the period was $0.2m, compared with the same amount for the six months ended 30 June 2015.

The net loss for the period was $613,000 (2015: $691,000). However, net assets as at 30 June 2016 improved to $3,575,000 (31 December 2015: $3,497,000) reflecting the conversion of convertible unsecured loans into equity during the period and the placing of new shares in March 2016.

Appointment of new Director

Mr Udi Shenig joined us as Chief Financial Officer in June 2015. We are pleased that the Board has now resolved to appoint Udi to the Board of Starcom with immediate effect.

Outlook

As in previous years, we expect most of the second half revenues to fall into the fourth quarter. Although results in the first half of this year are essentially similar to those of last year, the size and quality of the sales pipeline and the level of maturity of the new products are both significantly stronger by comparison. There are some fairly significant sales opportunities being examined both in the US and elsewhere.

The UK decision on Brexit has had no direct impact on the Company's sales which are denominated primarily in US dollars or Euros. While decision processes around the world have all tended to slow down in line with lower economic activity, we remain cautiously confident that second half revenues should comfortably exceed the first half and therefore that annual revenues will exceed last year's. We also expect the gross margin to improve as SAS revenues normalise. We believe the investment we have made over the last two years in creating the new and more unique products to distinguish ourselves from the competition and reduce price sensitivity will pay dividends. With our wider suite of products now being accepted into the market, we expect further growth into 2017.

STARCOM Plc

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. Dollars in thousands

	Note	June 30 2016 Unaudited	June 30 2015 Unaudited	December 31 2015 Audited
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment, net		332	358	359
Intangible assets, net	4	2,624	2,462	2,611
Income Tax Authorities		28	-	67
Total Non-Current Assets		2,984	2,820	3,037
CURRENT ASSETS:				
Inventories		1,955	2,877	2,202
Trade receivables		1,514	2,200	1,343
Other receivables		60	203	44
Income Tax Authorities		-	58	-
Short-term deposit		66	103	63
Cash and cash equivalents		46	204	90
Total Current Assets		3,641	5,645	3,742
TOTAL ASSETS		6,625	8,465	6,779
LIABILITIES AND EQUITY				
EQUITY		3,575	4,400	3,497
NON-CURRENT LIABILITIES:				

Long-term loans from banks		517	722	570
Related parties	6	-	-	153
Notes payable		-	-	26
		517	722	749
CURRENT LIABILITIES:				
Short-term bank credit		264	421	270
Short-term loans and current maturities of long-term loans		332	281	316
Convertible unsecured loans		-	-	91
Trade payables		1,422	2,144	1,330
Shareholders and related parties	6	377	306	347
Other payables		138	191	179
Total Current Liabilities		2,533	3,343	2,533
TOTAL LIABILITIES AND EQUITY		6,625	8,465	6,779

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

STARCOM Plc
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. Dollars in thousands

	Note	Six Months Ended June 30		Year Ended December 31
		2016	**2015**	**2015**
		Unaudited	**Unaudited**	**Audited**
Revenues		2,507	2,635	5,131
Cost of sales		(1,555)	(1,482)	(3,065)
Gross profit		952	1,153	2,066
Operating expenses:				
Research and development, net		(54)	(67)	(115)
Selling and marketing		(295)	(236)	(615)
General and administrative		(1,045)	(1,349)	(2,906)
Other income		-	-	10
		(1,394)	(1,652)	(3,626)
Operating loss		(442)	(499)	(1,560)
Net finance expenses	7	(120)	(192)	(199)

Loss before taxes on income		(562)	(691)	(1,759)
Taxes on income from previous years		(51)	-	-
Total comprehensive loss for the period		(613)	(691)	(1,759)
Loss per share:				
Basic and diluted loss per share (in dollars)	5	(0.005)	(0.01)	(0.02)

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

STARCOM Plc
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
U.S. Dollars in thousands

	Share Capital *	Premium on Shares	Capital Reserve	Capital Reserve for Share-based payment	Accumulated Earnings	Total
(Unaudited)						
Balance- January 1, 2016	-	7,094	89	407	(4,093)	3,497
Proceeds from issued share capital, net of expenses – see Note 1(a)3	-	588	-	-	-	588
Conversion of convertible unsecured loans – see Note 1(a)2	-	101	-	-	-	101
Share based payment	-	-	-	2	-	2
Comprehensive loss for the period	-	-	-	-	(613)	(613)
Balance- June 30, 2016	-	7,783	89	409	(4,706)	3,575
(Unaudited)						
Balance- January 1, 2015	-	6,240	89	373	(2,334)	4,368
Proceeds from issued share capital, net of expenses	-	701	-	-	-	701
Share based payment	-	-	-	22	-	22
Comprehensive loss for the period	-	-	-	-	(691)	(691)
Balance- June 30, 2015	-	6,941	89	395	(3,025)	4,400
(Audited)						
Balance- January 1, 2015	-	6,240	89	373	(2,334)	4,368
Proceeds from issued share capital, net of expenses	-	701	-	-	-	701
Conversion of convertible unsecured loans	-	153	-	-	-	153
Share based payment	-	-	-	34	-	34

Comprehensive loss for the year	-	-	-	-	(1,759)	(1,759)
Balance- December 31, 2015	-	7,094	89	407	(4,093)	3,497

* An amount less than one thousand.

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

STARCOM Plc
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Six Months Ended June 30		Year Ended December 31
	2016	**2015**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:	**Unaudited**	**Unaudited**	**Audited**
Comprehensive loss	(613)	(691)	(1,759)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	218	149	343
Interest expense and exchange rate differences	10	100	33
Equity settled option-based payment expense	2	22	34
Capital loss	-	-	3
Changes in assets and liabilities:			
Decrease in inventories	247	505	1,180
Decrease (Increase) in trade receivables	(171)	(264)	600
Decrease (Increase) in other receivables	(16)	(89)	70
Decrease (Increase) in Income Tax Authorities	39	(2)	(11)
Increase (Decrease) in trade payables	92	(23)	(837)
Increase (Decrease) in other payables	(41)	32	20
Net cash used in operating activities	(233)	(261)	(324)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(11)	(1)	(88)
Proceeds from sales of property, plant and equipment	-	-	46
Increase (Decrease) in short-term deposits	(3)	(2)	38
Purchase of intangible assets	(193)	(261)	(567)

Net cash used in investing activities	(207)	(264)	(571)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from (repayment of) short-term bank credit, net	(6)	99	(39)
Proceeds from a convertible debenture	-	-	218
Repayment of Short-term loans from banks	-	(89)	(89)
Receipt of long-term loans	104	158	255
Increase (Decrease) in notes payable	(26)	-	26
Repayment from (proceeds to) shareholders and related parties	81	(68)	126
Repayment of long-term loans	(141)	(127)	(316)
Consideration from issue of shares (see Appendix B)	384	701	701
Net cash provided by financing activities	396	674	882
Increase (Decrease) in cash and cash equivalents	(44)	149	(13)
Net foreign exchange difference	-	(48)	-
Cash and cash equivalents at the beginning of the period	90	103	103
Cash and cash equivalents at the end of the period	46	204	90

Appendix A – Additional Information

Interest paid during the period	(20)	(28)	(50)

Appendix B – Non-cash financing activities

Issuance of shares to related parties (in payment of current period salaries)	204	-	-
Conversion to shares of convertible unsecured loans	101	-	-

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

NOTE 1 - GENERAL INFORMATION

a. The Reporting Entity

1. Starcom plc ("the Company") was incorporated in Jersey on November 28, 2012. The Group specializes in easy-to-use practical wireless solutions that combine advanced technology, telecommunications and digital data for the protection and management of people, fleets of vehicles, containers and assets and engages in production, marketing, distribution, research and development of G.P.S. systems.

   The Company fully owns Starcom G.P.S. Systems Ltd., an Israeli company that engages in the same field, and Starcom Systems Limited, a company in Jersey.

   The Company's shares are admitted for trading on London's Stock Exchange Alternative Investment Market ("AIM").

   Address of the official Company office in Israel of Starcom G.P.S. Systems Ltd. is:

   33 Jabotinsky St., Migdal Hateomim 1, Ramat Gan, Israel.

   Address of the Company's registered office in Jersey of Starcom Systems Limited is:

   13-14 Esplanade, St Helier, Jersey JE1 1BD.

2. During January and February 2016, the Company issued a total of 4,564,270 Ordinary Shares in connection with the company's unsecured convertible loan facility (the "Loan Facility") with YA Global Master SPV Ltd, on the conversion of $100,000 loan principal and accrued interest (amounting in aggregate to $101,458 (£70,401)).

3. During March 2016 the Company raised £ 450 ($648) thousand before expenses, of which $204 thousand were issued to related parties in order to partially set off their credit balances.

b. Definitions in these financial statements:

1. International Financial Reporting Standards (hereinafter: "IFRS") – Standards and interpretations adopted by the International Accounting Standards Board (hereafter: "IASB") that include international financial reporting standards (IFRS) and international accounting standards (IAS), with the addition of interpretations to these Standards as determined by the International Financial Reporting Interpretations Committee (IFRIC) or interpretations determined by the Standards Interpretation Committee (SIC), respectively.

2. The Company – Starcom Plc.

3. The subsidiaries – Starcom G.P.S. Systems Ltd. And Starcom Systems Limited.
4. Starcom Jersey – Starcom Systems Limited.
5. Starcom Israel – Starcom G.P.S. Systems Ltd.
6. The Group – Starcom Plc. and the Subsidiaries.
7. Related party – As determined by International Accounting Standard No. 24 in regard to related parties.

NOTE 2 - BASIS OF PREPARATION AND CHANGE IN THE GROUP'S ACCOUNTING POLICIES

a. Basis of preparation

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information should be read in conjunction with the annual financial statements as of 31 December, 2015 and for the year ended on that date and with the notes thereto.

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2015 are applied consistently in these interim consolidated financial statements.

Use of estimates and judgments

b.

The preparation of financial statements in conformity with IFRS requires management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgment of management, when implementing the Group accounting policies and the basic assumptions utilized in the estimates that are bound up in uncertainties are consistent with those that were utilized to prepare the annual financial statements.

NOTE 3 - SIGNIFICANT EVENTS AFTER THE REPORTED PERIOD

Issue of Shares and Mobilization of Capital

On July 19, 2016 the Company granted its directors options to subscribe for 4,400,000 new Ordinary Shares at 5p per share. The options vest 3 years after grant, except for the case of 2,000,000 options, where the vesting period is 2 years. Any unexercised options expire at the end of 10 years from grant.

NOTE 4 - INTANGIBLE ASSETS, NET

	Total
Cost:	
Balance as of January 1 2016	3,588
Additions during the year	193
Balance as of June 30 2016	3,781

Accumulated Depreciation:

Balance as of January 1 2016	(775)
Depreciation during the year	(180)
Balance as of June 30 2016	(955)
Impairment of assets	(202)
Net book value as of June 30 2016	2,624

	Total
Cost:	
Balance as of January 1 2015	3,021
Additions during the year	261
Balance as of June 30 2015	3,282
Accumulated Depreciation:	
Balance as of January 1 2015	(507)
Depreciation during the year	(111)
Balance as of June 30 2015	(618)
Impairment of assets	(202)
Net book value as of June 30 2015	2,462

	Total
Cost:	
Balance as of January 1 2015	3,021
Additions during the year	567
Balance as of December 31 2015	3,588
Accumulated Depreciation:	
Balance as of January 1 2015	(507)
Depreciation during the year	(268)
Balance as of December 31 2015	(775)
Impairment of assets	(202)
Net book value as of December 31 2015	2,611

NOTE 5 - SHARE CAPITAL

a. Composition – as of June 30 2016 common stock of no par value, authorized 135,830,680 shares; issued and outstanding – 135,830,680 shares.

b. A Company share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.

c. See Note 1(a).

d. Weighted average number of shares used for calculation of basic and diluted loss per share:

	June 30		December 31
	2016	2015	2015
Number	120,917,468	86,412,499	91,965,928

NOTE 6 - SHAREHOLDERS AND RELATED PARTIES

a. Related parties that own the controlling shares in the Group are:

Mr. Avraham Hartman (15.2%), Mr. Uri Hartman (16.3%), Mr. Doron Kedem (16.3%).

b. Short-term balances	**June 30**		**December 31**
	2016	**2015**	**2015**
Credit balance	(119)	(306)	(213)
Loans	(258)	-	(287)
	(377)	(306)	(500)

c. Transactions:	**Six Months Ended**		**Year Ended**
	June 30		**December 31**
	2016	**2015**	**2015**
Total salaries, services rendered and related expenses for shareholders	187	274	474

NOTE 7 - NET FINANCE EXPENSES

	Six Months Ended June 30		Year Ended December 31
	2016	2015	2015
Interest income	-	-	1
Interest to banks and others	(22)	(31)	(58)
Exchange rate differences	(52)	(104)	(27)
Bank charges	(38)	(50)	(73)
Interest to related parties	-	-	(21)
Interest to suppliers	(8)	(7)	(21)
Net finance expenses	(120)	(192)	(199)

NOTE 8 - SEGMENTATION REPORTING

Segments' differentiation policy:

The Company's management has defined its segmentation policy based on the financial essence of the different segments. This refers to services versus goods, delivery method and allocated resources per sector.

On this basis, the following segments were defined:

Segment information regarding the reported segments:

	Sets	SAS	Accessory	Other	Total
Period Ended 30.06.2016:					
Segment revenues	1,547	845	25	90	2,507
Cost of sales	(1,364)	(89)	(22)	(80)	(1,555)
Gross profit	183	756	3	10	952
Operating expenses					(1,394)
Operating loss					(442)
Period Ended 30.06.2015:					
Segment revenues	1,757	793	34	51	2,635
Cost of sales	(1,410)	(34)	(7)	(31)	(1,482)
Gross profit	347	759	27	20	1,153
Operating expenses					(1,652)
Operating loss					(499)

Year Ended 31.12.2015:					
Segment revenues	3,238	1,608	60	225	5,131
Cost of sales	(2,634)	(200)	(48)	(183)	(3,065)
Gross profit	604	1,408	12	42	2,066
Operating expenses	(469)	(220)	(8)	(33)	(730)
Operating profit before general and administrative expenses	135	1,188	4	9	1,336
Unattributed general and administrative expenses and other expenses					(2,896)
					(1,560)