23 September 2014

Starcom PLC
("Starcom" or the "Company")

Interim Results
For the Six Months ended 30 June 2014

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 2014.

Highlights

- Revenue for the period of $2.91m (H1 2013: $3.49m)
- Gross Margin of 51.7%
- Loss for the period of $557,000 (H1 2013: $89,000)
- Successful fundraising of £2.0m
- Four new products being released in 2014

Michael Rosenberg, Chairman of Starcom, commented, "The impact of the loss of sales in Ukraine and slower than anticipated growth from sales of the WatchLock caused revenues in the first six months to fall below the same period last year. However, based on our existing pipeline of projects it is anticipated that revenues for the second half of 2014 will more than compensate for the slow first half and are expected to show an improvement on total sales for last year though somewhat below market expectations."

For further information please contact:

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CHAIRMEN'S STATEMENT

Revenue for the period was $2.92m (H1 2013: $3.5m), with gross profit of $1.51m (H1 2013: $1.98m). The Company recorded an operating loss of $671,000 (H1 2013: profit $609,000), with a total comprehensive loss of $557,000 (H1 2013: loss $89,000). The gross margin was 51.7% a reduction from the comparative period last year (H1 2013: 56.7%). The Company achieved a large reduction in trade payables, with $1.2m due at 30 June 2014 (30 June 2013: $2.43m).

During the period a total of £2m was raised by way of a placing of 13.3m new shares at a price of 15p. These funds have been applied in providing additional working capital and further strengthening the support and sales team within the business.

Product development continues across all the areas of the business as we continue to respond to customers' needs.

HELIOS

The new versions of Helios, the Company's vehicle tracking system, are proving successful in the market following their launch in Q2 2014. The Helios TT (track and trace) which is aimed at the motorcycle market is already gaining sales in that sector due to its low price point and easy installation. It is available in a waterproof case that offers maximum protection from water damage; being particularly useful in extreme weather conditions.

The recently launched Helios Hybrid has been developed to address the problems of covering areas without cellular coverage, ensuring real time tracking monitoring and management in any area. This is an innovative integration between the Helios GSM/HSPA vehicle location unit and an iridium satellite module. Although the unit cost for this module is higher than standard models, by removing the dependence on mobile communication the hybrid system works anywhere on the globe and as a result this product has been well received by the market, and the Company expects to see sales in the second half of the year.

The Company is currently developing a partnership with a strong player in the market which will enhance the potential of the product in this very fragmented market.

TRITON

Triton is one of the most advanced systems available in the world for the real time tracking of dry containers and the new version of Triton has now successfully completed a wide range of environmental tests. The units were successfully tested in extreme temperatures of -40℃ up to +85℃ and monitored other detrimental factors such as humidity and vibration. The success of these tests should prove the robustness of the unit, thus enhancing the opportunities for growth in revenues from this product.

The Company is currently running pilots with several potential customers and is now producing the product commercially with some initial sales expected in the second half of 2014.

KYLOS

Kylos is both an asset and people locator. The new compact version is greatly reduced in size, making it concealable and more portable. It can be set as a personal locator to be used with children or pets or any asset which needs tracking, such as merchandise as it moves from one location to another regardless of distance or method of transportation. Following a period of development, this product is expected to be launched into the market shortly.

WATCHLOCK

The second generation of Watchlock is under development and should be ready for market during the first half of 2015. This will be a more compact and cheaper version of the existing model and will feature a much improved battery life as well as additional functions that will improve the security of the product. As a result much of the marketing activity for this product is aimed at producing sales in 2015. The Company has seen a slower performance of Watchlock sales from its partner, Mul-T-Lock, which is also due to a refocusing of its marketing efforts on the anticipated launch of the second generation Watchlock.

Sales in North America are still being affected by the requirement for the system to be approved by certain regulatory authorities in the US. The Company has complied with all necessary requirements and is now awaiting formal approval.

FINANCIAL REVIEW

Sales for the period were lower than expected, amounting to $2.92m compared with $3.5m for the same period last year. Gross margins remained strong at 51.7% (H1 2013: 56.7%).

Total comprehensive loss for the period was $557,000, compared with $89,000 for the same period last year, mainly as a result of reduced sales as well as an increase in operating expenses to $2.18m (H1 2013: $1.37m), owing to the rise in sales and marketing, research and development costs, and which included one off costs for the placing of new shares during the period and additional travel expenses.

Although the level of trade receivables at the half year was high, many of these are now being collected and cash generation is at an acceptable level to support current trading.

Furthermore, the Company achieved a large reduction in trade payables, being $1.2m at the period end (H1 2013: $2.43m).

OUTLOOK

The slow start to the year was compounded by the loss of sales to Ukraine, which in the 2013 financial year represented around 20% of sales. The Company has been impacted further by slower than expected WatchLock revenues, partly due to the delays caused in the US by regulatory authorities and the lack of traction from the Company's partner, Mul-T-Lock.

The Company has been encouraged, however, with the addition of a new Guatemalan distributor, as announced on 27 May 2014, which has placed orders for a significant number of units from across the Company's product portfolio. Revenue of $400,000 is expected to be received in respect of the order during the year and the three year contract represents a total value of $1.8m. Furthermore, post the period end, the Company announced that it had signed a three year supply and support agreement with a major new distributor operating across Colombia, Ecuador, Mexico and Central America, with an initial order already received.

The Company has a strong pipeline of new prospects and during the year a large number of potential new customers have been identified around the globe. The Board anticipates that sales for the second half will improve and confidently expects that total revenues for the year will exceed the comparative figure for 2013. However, although the Company expects to be profitable, revenue and profit figures are expected to be lower than current market expectations. The Board remains optimistic on prospects and the new product launches, such as the Triton and WatchLock II, coupled with a wider range of clients, should enable growth to continue in 2015.

STARCOM Plc
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
U.S. Dollars in thousands

	Note	Six Months Ended June 30 2014 Unaudited	Six Months Ended June 30 2013 Unaudited	Year Ended December 31 2013 Audited
Revenues		2,919	3,498	9,016
Cost of sales		(1,408)	(1,513)	(3,952)
Gross profit		1,511	1,985	5,064
Operating expenses:				
Research and development, net		(108)	(70)	(152)
Selling and marketing		(396)	(268)	(758)
General and administrative		(1,678)	(1,038)	(2,348)
		(2,182)	(1,376)	(3,258)
Operating profit (loss)		(671)	609	1,806
Finance income		-	1	2
Finance expenses	7	(70)	(699)	(1,014)
Net finance costs		(70)	(698)	(1,012)
Profit (loss) before deferred income tax		(741)	(89)	794
Deferred income tax (credit)/expense		184	-	(94)
Total comprehensive income (loss) for the period		(557)	(89)	700
Attributable to:				
Owners of the company		(557)	(86)	703
Non-controlling interest		-	(3)	(3)
Comprehensive income (loss)		(557)	(89)	700
Earnings per share:				
Basic and diluted earnings (loss) per share (in dollars)	5	(0.01)	(0.00)	0.01

STARCOM Plc
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. Dollars in thousands

	Note	June 30 2014	June 30 2013	December 31 2013
		Unaudited	Unaudited	Audited
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment, net		413	296	270
Intangible assets	4	2,193	1,721	2,003
Repurchase option		-	89	-
Long-term bank deposit		-	99	-
Income Tax Authorities		-	42	-
Total Non-Current Assets		2,606	2,247	2,273
CURRENT ASSETS:				
Inventories		1,985	1,946	2,146
Trade receivables		6,835	4,798	6,196
Other receivables		417	384	403
Income Tax Authorities		50	-	50
Short-term deposit		110	10	136
Cash and cash equivalents		107	25	49
Total Current Assets		9,504	7,163	8,980
TOTAL ASSETS		12,110	9,410	11,253
LIABILITIES AND EQUITY				
EQUITY				
Equity attributable to owners of the company		9,120	5,635	6,491
Total Equity		9,120	5,635	6,491
NON-CURRENT LIABILITIES:				
Long-term loans from banks		930	424	533
Deferred tax liability		26	128	210
Total Non-current Liabilities		956	552	743
CURRENT LIABILITIES:				
Short-term bank credit		129	82	111
Short-term loans and current maturities from banks		271	330	354
Trade payables		1,211	2,433	3,146
Shareholders	6	182	171	159
Other payables		241	207	249
Total Current Liabilities		2,034	3,223	4,019
TOTAL LIABILITIES AND EQUITY		12,110	9,410	11,253

STARCOM Plc

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	Non-Controlling interest	Total
(Unaudited)								
Balance- January 1, 2014	-	3,121	89	309	2,972	6,491	-	6,491
Proceeds from issued share capital, net of mobilization costs – see Note 3a	-	3,119	-	-	-	3,119	-	3,119
Share based payment –see Note 3b	-	-	-	67	-	67	-	67
Comprehensive loss for the period	-	-	-	-	(557)	(557)	-	(557)
Balance- June 30, 2014	-	6,240	89	376	2,415	9,120	-	9,120
(Unaudited)								
Balance- January 1, 2013	-	28	447	-	2,269	2,744	(6)	2,738
Proceeds from issued share capital, net of mobilization costs – see Note 3a	-	2,939	-	-	-	2,939	-	2,939
Exchange of Keren Hagshama shares –see Note 3c	-	349	(358)	-	-	(9)	9	-
Share based payment –see note 3b	-	(195)	-	242	-	47	-	47
Comprehensive loss for the period	-	-	-	-	(86)	(86)	(3)	(89)
Balance- June 30, 2013	-	3,121	89	242	2,183	5,635	-	5,635
(Audited)								
Balance- January 1, 2013	-	28	447	-	2,269	2,744	(6)	2,738
Proceeds from issued share capital, net of mobilization costs – see Note 3a	-	2,939	-	-	-	2,939	-	2,939
Exchange of Keren Hagshama shares –see Note 3c	-	349	(358)	-	-	(9)	9	-
Share based payment –see Note 3b	-	(195)	-	309	-	114	-	114
Comprehensive income for the year	-	-	-	-	703	703	(3)	700
Balance- December 31, 2013	-	3,121	89	309	2,972	6,491	-	6,491

STARCOM Plc
CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. Dollars in thousands

	Six Months Ended June 30		Year Ended December 31
	2014	**2013**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES:	**Unaudited**	**Unaudited**	**Audited**
Comprehensive income (loss)	(557)	(89)	700
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	134	108	234
Interest expense (income) and linkage differences	(18)	237	289
Equity settled option-based payment expense	67	47	114
Deferred income tax expense	(184)	12	78
Expiration of repurchase option	-	-	89
Capital loss	20	-	3
Changes in assets and liabilities:			
Decrease (Increase) in inventories	161	(710)	(910)
Increase in trade receivables	(639)	(1,037)	(2,442)
Decrease (Increase) in other receivables	(15)	181	152
Increase in Income Tax Authorities	-	(8)	(12)
Increase in deferred issuance costs	-	(75)	(72)
Increase (Decrease) in trade payables	(1,934)	(507)	193
Increase in other payables	(7)	45	80
Net cash used in operating activities	(2,972)	(1,796)	(1,504)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(247)	(44)	(81)
Proceeds from sales of property, plant and equipment	46	-	23
Increase (Decrease) in short-term deposit	25	-	(69)
Decrease (Increase) in long-term deposits	-	(1)	47
Purchase of intangible assets	(286)	(236)	(607)
Net cash used in investing activities	(462)	(281)	(687)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from (repayment of) short-term bank credit, net	18	2	(97)
Short-term loans from banks	-	(27)	(27)
Long-term loans	737	-	262
Repayment from (proceeds to) shareholders	269	15	(3)
Repayment of long-term loans	(406)	(1,127)	(1,134)
Consideration from issue of shares	2,874	3,121	3,121
Net cash provided by financing activities	3,492	1,984	2,122
Decrease in cash and cash equivalents	58	(93)	(69)
Cash and cash equivalents at the beginning of the period	49	118	118
Cash and cash equivalents at the end of the period	107	25	49
Appendix A – Additional Information			
Interest received during the period	-	1	2
Interest paid during the period	(29)	(127)	(112)

NOTE 1 - GENERAL INFORMATION

a. **The Reporting Entity**

Starcom plc ("the Company") was incorporated in Jersey on November 28, 2012. During February 2013 the Company signed an asset purchase agreement with Starcom Systems S.A., a Panamanian company that 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.

In accordance with the agreement, Starcom Systems S.A. sold to the Company for a nominal consideration its business and assets, including its holdings in Starcom G.P.S. Systems Limited, an Israeli company that engages in the same field.

Subsequent to completion of the transaction, the Company transferred to an additional company in Jersey, Starcom Systems Limited, its entire activity, except for its holdings in Starcom G.P.S Limited, for a nominal consideration. Thus, the Company became a holding company, holding 100% of Starcom Systems Limited and approximately 97% of Starcom G.P.S Limited, where Company operations are conducted.

During 2013, the Company acquired the remaining 3% of Starcom G.P.S. Limited.

On February 27, 2013 the Company's shares were admitted to trading on London's Stock Exchange Alternative Investment Market ("AIM") following a successful Initial Public Offering ("IPO") raising £ 2.72 ($ 4.09) million before expenses, reflecting a Company valuation of £ 14.2 ($ 27.53) million.
On February 3, 2014 the Company raised £ 2 million before expenses. For additional detail in regard to the infusion of capital see Note 3.

b. **Definitions in these financial statements**

1. The Company – Starcom Plc
2. Starcom Israel – Starcom G.P.S. Systems Ltd.
3. Starcom Jersey – Starcom GPS Limited
4. The Group – Starcom Plc and its subsidiaries

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, 2013 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, 2013 are applied consistently in these interim consolidated financial statements, except adoption of new standards and interpretations effective as of 1 January 2014, as detailed in Note 2c below.

b. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management of 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.

c. **Changes in the accounting policies**

The Group applies, for the first time, certain standards and amendments as detailed below. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Amendments to IAS 32, "Financial Instruments: Presentation regarding Offsetting Financial Assets and Financial Liabilities":

The IASB issued amendments to IAS 32 ("the amendments to IAS 32") regarding the offsetting of financial assets and financial liabilities. The amendments to IAS 32 clarify, among others, the meaning of "currently has a legally enforceable right of set-off" ("the right of set-off"). Among others, the amendments to IAS 32 prescribe that the right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. The amendments to IAS 32 also state that in order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

The amendments to IAS 32 are to be applied retrospectively from the financial statements for annual periods beginning on January 1, 2014 or thereafter. Earlier application is permitted.

Implementation of the amendments to IAS 32 did not have a material impact on the financial statements.

Amendments to IAS 36, "Impairment of Assets":

In May 2013, the IASB issued amendments to IAS 36, "Impairment of Assets" ("the amendments") regarding the disclosure requirements of fair value less costs of disposal. The amendments include additional disclosure requirements of the recoverable amount and fair value. The additional disclosures include the fair value hierarchy, the valuation techniques and changes therein, the discount rates and the principal assumptions underlying the valuations.

The amendments are effective for annual periods beginning on January 1, 2014 or thereafter. Earlier application is permitted.

The appropriate disclosures will be included in the Company's financial statements upon the first-time adoption of the amendments.

IFRIC 21, "Levies":

In May 2013, the IASB issued IFRIC 21, "Levies" (IFRIC 21") regarding levies imposed by governments through legislation. According to IFRIC 21, the liability to pay a levy will only be recognized when the activity that triggers payment occurs.

IFRIC 21 is effective for annual periods beginning on January 1, 2014 or thereafter. Earlier application is permitted.

The Company is evaluating the possible impact of the adoption of IFRIC 21 but is presently unable to assess its effect, if any, on the financial statements.

IFRS 15 Revenues from Contracts with Clients

This Standard changes the existing guidelines in regard to recognition of revenues and presents a new module for revenue recognition from contracts with clients. The Standard determines that there are two approaches to revenue recognition: At one point or over a period of time. The module includes five stages for analysis of transactions in order to determine the timing of revenue recognition and its amount. Concurrently, the Standard determines new disclosure requirements that are broader than those currently in existence.

The Standard will be implemented for annual periods commencing with January 1, 2017, with the possibility of early adoption. The Standard includes various alternatives for the transfer period, so that companies may choose one of the following alternatives at the time of initial implementation: full retrospective implementation, full retrospective implementation including practical reliefs; or implementation of the Standard commencing with its initial implementation date, while amending the balance of surplus at that date in regard to transactions that are as yet not completed.

The Group has not as yet examined the implication of implementation of the Standard on the financial statements.

IFRS 9 (2014) Financial Instruments
In accordance with the Standard, there are three main categories for measurement of financial instruments: depreciated cost, fair value through the statement of operations and fair value through other comprehensive income. The basis of classification for receivable instruments is based on the transaction module of the entity for management of financial instruments and the characteristics of the forecasted cash flows of the financial instrument. Investment in capital instruments will be measured by fair value through the statement of operations (unless the company chose, upon initial recognition, to present the changes in fair value in other comprehensive income).

The Standard will be implemented at annual periods commencing January 1, 2018, with the possibility of early adoption. The Standard may be implemented retroactively, except for some reliefs.

The Group has not as yet examined the implication of implementation of the Standard on the financial statements.

d. Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

NOTE 3 - SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. **Issue of Shares and Mobilization of Capital**
On February 3, 2014, the Company issued 13,333,333 Ordinary Shares raising £ 2 million before expenses.

b. **Options issued**
During February 2014 the Company issued to Northland Capital Partners 492,533 Options for purchase of Company shares at the exercise price of £ 0.15 per share.

NOTE 4 - INTANGIBLE ASSETS

a. Composition:

	Cost of Materials (including overhead costs)	Direct Labour	Total
Cost:			
Balance as of January 1 2014	1,502	819	2,321
Additions during the year	145	141	286
Balance as of June 30 2014	1,647	960	2,607
Accumulated Depreciation:			
Balance as of January 1 2014	224	94	318
Depreciation during the year	46	50	96
Balance as of June 30 2014	270	144	414

Net book value as of June 30 2014	1,377	816	2,193

	Cost of Materials (including overhead costs)	**Direct Labour**	**Total**
Cost:			
Balance as of January 1 2013	1,097	617	1,714
Additions during the year	122	114	236
Balance as of June 30 2013	1,219	731	1,950
Accumulated Depreciation:			
Balance as of January 1 2013	127	27	154
Depreciation during the year	27	48	75
Balance as of June 30 2013	154	75	229
Net book value as of June 30 2013	1,065	656	1,721

	Cost of Materials (including overhead costs)	**Direct Labour**	**Total**
Cost:			
Balance as of January 1 2013	1,097	617	1,714
Additions during the year	405	202	607
Balance as of December 31 2013	1,502	819	2,321
Accumulated Depreciation:			
Balance as of January 1 2013	127	27	154
Depreciation during the year	97	67	164
Balance as of December 31 2012	224	94	318
Net book value as of December 31 2013	1,278	725	2,003

NOTE 5 - SHARE CAPITAL

a. Composition – as of June 30 2014 common stock of no par value, authorized 118,500,000 shares; issued and outstanding – 84,433,333.

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

c. See Note 3.

NOTE 6 - RELATED PARTIES

a. Related parties that own the controlling shares in the Group are:
Mr. Avraham Hartman (22.6%), Mr. Uri Hartman (22.6%), Mr. Doron Kedem (22.6%).

b. Balances:

	June 30 2014	June 30 2013	December 31 2013
Current balance	(182)	(171)	(159)

c. Transactions:

	Six Months Ended June 30 2014	Six Months Ended June 30 2013	Year Ended December 31 2013
Total salaries, services rendered and related expenses for shareholders	523	147	171

NOTE 7 - FINANCE INCOME (EXPENSES)

	Six Months Ended June 30 2014	Six Months Ended June 30 2013	Year Ended December 31 2013
Interest from bank	-	1	2
Interest to non-controlling interest	-	338	338
Interest to banks and others	29	32	56
Exchange rate differences	10	285	439
Bank charges	30	27	53
Interest to suppliers	1	17	39
Update of sale Options	-	-	89
	(70)	(699)	(1,014)
Net finance costs	(70)	(698)	(1,012)

NOTE 8 - FINANCIAL INSTRUMENTS

In the opinion of directors and management, the book value of financial assets and liabilities that are not measured at fair value closely resembles their fair value.

NOTE 9 - SEGMENTATION REPORTING

Segment information regarding the reported segments:

	Sets	Web	Accessory	Other	Total
Period Ended 30.06.2014:					
Segment revenues	2,080	685	21	133	2,912
Cost of sales	(1,255)	(136)	(13)	(4)	(1,408)
Gross profit	825	549	8	129	1,511
Operating expenses					(2,182)
Operating profit					(671)
Period Ended 30.06.2013:					
Segment revenues	2,637	679	37	145	3,498

Cost of sales	(1,364)	(23)	(18)	(108)	(1,513)
Gross profit	1,273	656	19	37	1,985
Operating expenses					(1,376)
Operating profit					609
Year Ended 31.12.2013:					
Segment revenues	7,217	1,478	131	190	9,016
Cost of sales	(3,407)	(184)	(170)	(191)	(3,952)
Gross profit (loss)	3,810	1,294	(39)	(1)	5,064
Operating expenses	(864)	(46)	-	-	(910)
Operating profit					4,154

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