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A copy of this document has been delivered to the Registrar of Companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission ("Commission") has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of shares in the Company. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies in Jersey nor the Commission takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. The Directors of the Company have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the Directors accept responsibility accordingly. It should be remembered that the price of securities and the income from them can go down as well as up.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that dealings in the Ordinary Shares will commence on AIM on or around 27 February 2013. It is emphasised that no application has been made or is being made for the admission of these securities to the Official List. The Ordinary Shares are not dealt in on any market other than AIM and, apart from the application for admission to AIM, no application has been or is intended to be made for the Ordinary Shares to be admitted to trading on any such other market.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a higher than normal degree of risk. The attention of prospective investors is drawn in particular to the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This document is an admission document prepared in accordance with the AIM Rules for Companies in connection with, amongst other matters, the Placing and the admission of the Enlarged Share Capital to trading on AIM. This document does not constitute a prospectus for the purposes of the Prospectus Rules of the FSA and has not been approved by or filed with the FSA. This document is, however, a prospectus for the purposes of the Companies (Jersey) Law 1991 (as amended) and the Companies (General Provisions) (Jersey) Order 2002. Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Northland Capital Partners Limited, 60 Gresham Street, London EC2V 7BB from the date of this document for the period of one month from Admission.

The Directors, whose names appear on page 5 of this document, and the Company accept responsibility for the information contained in this document. All the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

STARCOM PLC

(incorporated in Jersey with registration number 111932)

Placing of 13,600,000 Ordinary Shares at 20p per share

and

Admission to trading on AIM

Nominated Adviser and Broker



NORTHLAND
CAPITAL PARTNERS LIMITED

**Issued share capital immediately following Admission
71,100,000 Ordinary Shares of no par value**

Your attention is drawn to the Risk Factors set out in Part II of this document

Northland Capital Partners Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting as Nominated Adviser and Broker to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibilities as the Company's Nominated Adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Northland as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Northland will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Northland or for providing advice in relation to the contents of this document or any other matter.

This document is only directed at persons in the United Kingdom: (i) who are of a kind described in Article 19(1), 19(5) (investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (ii) who are otherwise permitted by law to receive it.

The information contained in this document does not constitute any legal, business, financial or tax advice, and no representation is made to any person regarding the legality of an investment in the Ordinary Shares under any laws or regulations. Each potential acquirer of the Ordinary Shares should determine for itself the relevance of the information contained in this document and its acquisition of the Ordinary Shares should be based upon such independent investigations and consultations with its own tax, legal, business and other advisers as it deems necessary.

This document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; this document has not been, nor will it be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Ordinary Shares. Subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Australia, Canada, Japan, Republic of Ireland, Republic of South Africa or the United States or offered or sold to a person within Australia, Canada, Japan, Republic of Ireland, Republic of South Africa or the United States.

FORWARD-LOOKING STATEMENTS

This document includes “forward-looking statements” which includes all statements other than statements of historical facts, including, without limitation, those regarding the Group’s financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words “targets”, “believes”, “estimates” “expects”, “aims”, “intends”, “can”, “may”, “anticipates”, “would”, “should”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group’s control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Company’s actual results, performance or achievements to differ materially from those in forward-looking statements include those factors in Part II entitled “Risk Factors” and elsewhere in this document. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this document may not occur.

The contents of the Company’s website, including any websites available from hyperlinks on the website, do not form part of this document.

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ADMISSION STATISTICS

Placing Price	20p
Number of Ordinary Shares in issue at the date of this document	56,350,000
Number of Ordinary Shares to be issued pursuant to the Placing	13,600,000
Number of Ordinary Shares to be issued pursuant to the Hagshama Agreement	1,150,000
Number of Ordinary Shares in issue following Admission	71,100,000
Proportion of Enlarged Share Capital represented by the Placing Shares	19.13 per cent.
Gross proceeds of the Placing to be received by the Company	£2,720,000
Estimated net proceeds of the Placing to be received by the Company	£2,080,000
Market capitalisation of the Company at the Placing Price following Admission	£14.22 million
AIM symbol	STAR
ISIN number	JE00B8WSDY21
SEDOL number	B8WSDY2

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	19 February 2013
Admission to trading on AIM effective and commencement of dealings in the Ordinary Shares	27 February 2013
CREST stock accounts credited in respect of the Placing Shares in uncertificated form	27 February 2013
Definitive share certificates in respect of the Placing Shares in certificated form despatched by	13 March 2013

Each of the times and dates in the above timetable are subject to change. All times in this document are London times, unless otherwise stated.

DIRECTORS AND ADVISERS

Directors Michael Samuel Rosenberg, OBE (*Non-Executive Chairman*)
Avraham Hartmann (*Chief Executive Officer*)
Eitan Yanuv (*Chief Financial Officer*)
Martin David Howard Bloom (*Non-Executive Director*)

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Principal Bankers

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DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“2006 Act”	the UK Companies Act 2006 (as amended)
“2G”	second generation wireless telephone technology
“3G”	third generation wireless telephone technology
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange
“Articles” or “Articles of Association”	the articles of association of the Company from time to time
“AVL”	automatic vehicle location
“Board” or “Directors”	the directors of the Company comprising the directors whose names are set out on page 5 of this document, including any duly authorised committee of the Board
“British Islands”	the UK, the Channel Islands and the Isle of Man
“Companies Law”	the Companies (Jersey) Law 1991 (as amended)
“Company” or “Starcom”	Starcom PLC
“CREST”	the electronic settlement system to facilitate the holding and transfer of title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) and the Companies (Uncertificated Securities) (Jersey) Order 1999 (as amended)
“Disclosure Rules”	Chapter 5 of the Disclosure Rules and Transparency Rules (as amended from time to time) of the FSA Handbook
“Enlarged Share Capital”	71,100,000 Ordinary Shares, being the Existing Share Capital, the Placing Shares and the Hagshama Shares
“Existing Share Capital”	the 56,350,000 Ordinary Shares in issue at the date of this document
“FMS”	Fleet Management Standard, a standard interface for the vehicle data of commercial vehicles
“Founders”	Avraham Hartmann, Doron KedeM and Uri Hartmann
“FSA”	the UK Financial Services Authority

"FSA Handbook"	the rules and guidance published by the FSA from time to time under the powers given to it by FSMA
"FSMA"	the UK Financial Services and Markets Act 2000 (as amended)
"GPS"	Global Positioning System, a space-based satellite navigation system that provides location and time information
"GPRS"	General Packet Radio Service, available on the 2G and 3G cellular communication systems for GSM
"Greenlight"	Greenlight M&A & Business Enhancement Ltd
"GSM"	Global System for Mobile Communication, the standard to describe protocols for 2G digital cellular networks used by mobile phones
"Group"	the Company and the Subsidiaries
"Hagshama"	Hagshama Starcom 1010 LP via Hagshama Fund Ltd
"Hagshama Agreement"	the letter agreement dated 19 February 2013 between (1) Hagshama (2) the Company and (3) Starcom Israel which provided for the transfer of Hagshama's shares in Starcom Israel to the Company as described in paragraph 11.8 of Part VI of this document
"Hagshama Loan Agreement"	the agreement dated 26 March 2012 between (1) Hagshama (2) Starcom Israel, (3) Starcom Panama, (4) Avraham Hartmann and (5) Doron Kedem
"Hagshama Shares"	the 1,150,000 Ordinary Shares to be issued to Hagshama upon Admission pursuant to the Hagshama Agreement
"IFRS"	International Financial Reporting Standards
"ISIN"	International Security Identification Number
"ILS", "New Israeli Shekel" or "Shekel"	New Israeli Shekel, the lawful currency of Israel
"London Stock Exchange"	London Stock Exchange plc
"Memorandum"	the memorandum of association of the Company from time to time
"Northland", "Nominated Adviser" or "Broker"	Northland Capital Partners Limited, Nominated Adviser and Broker to the Company on Admission
"OBD-II"	On Board Diagnostics II, referring to a vehicle's self-diagnostic and reporting capability
"Official List"	the Official List of the UK Listing Authority
"Option Agreement"	the conditional agreement between the Company and Northland dated 19 February 2013 pursuant to which Northland has been granted an option to subscribe for such number of Ordinary Shares as is equal to 1.5 per cent. of the Enlarged Share Capital at the Placing Price at any time during the period of five years following Admission
"Ordinary Shares"	ordinary shares of no par value in the capital of the Company

“Panel”	the Takeover Panel in the United Kingdom
“Placees”	the subscribers for Placing Shares pursuant to the Placing
“Placing”	the conditional placing of 13,600,000 Placing Shares by Northland acting as agent for the Company pursuant to the terms of the Placing Agreement at the Placing Price
“Placing Agreement”	the conditional placing agreement dated 19 February 2013 between the Company, the Directors, the Founders and Northland in relation to the placing arrangements, details of which are set out in paragraph 11.3 of Part VI of this document
“Placing Price”	20p per Placing Share
“Placing Shares”	the 13,600,000 Ordinary Shares to be issued pursuant to the Placing
“Prospectus Rules”	rules made by the FSA pursuant to sections 73A(1) and (3) of FSMA, as defined in section 417(1) of FSMA
“QCA Guidelines”	the Corporate Governance Guidelines for Smaller Companies published by the Quoted Companies Alliance
“Registrar”	Capita Registrars (Jersey) Limited
“Regulatory Information Service Provider” or “RIS”	a regulatory information service provider that is approved by the FSA
“RF”	Radio Frequency
“Share Option Scheme”	the employee share option scheme adopted by the Company on 19 February 2013, details of which are set out in paragraph 6 of Part VI of this document
“Shareholders”	holders of Ordinary Shares from time to time
“Starcom GPS”	Starcom Israel and the business, assets and liabilities to be acquired by Starcom Jersey from Starcom Panama
“Starcom Israel”	Starcom G.P.S. Systems Limited, a company incorporated in Israel on 16 November 2004, with registered number 513608943
“Starcom Jersey”	Starcom Systems Limited, a company incorporated in Jersey on 28 November 2012, with registered number 111933
“Starcom Panama”	Starcom Systems S.A., a company incorporated in Panama on 14 August 2006 with fiche number 535285
“Subsidiaries”	Starcom Israel and Starcom Jersey
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the UK Corporate Governance Code on the principles of good corporate governance and code of best practice published by the Financial Reporting Council in September 2012
“UK Listing Authority”	a division of the FSA acting as a competent authority for the purposes of Part IV of FSMA
“Takeover Code”	the City Code on Takeovers and Mergers, issued and administered by the Panel

“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”	the United States of America
“US\$”	US dollar
“£”, “GBP” or “Sterling”	British pound sterling

PART I

INFORMATION ON STARCOM

1. INTRODUCTION

Starcom is a technology company specialising in the development of wireless solutions for the remote tracking, monitoring and protection of various types of assets and of people. Established in 2004, the Group's products are sold through a global distribution network of more than 110 technology partners and independent dealers in over 50 countries.

The Company's principal products and services are:

Helios	vehicle location and fleet management system
Watchlock	award winning high security padlock and electronic alarm and monitoring system
Triton	shipping container tracking system
Starcom Online	web-based and mobile tracking and monitoring application
Starcom Control	operational emergency security centre application

In addition, the Company has two new products: the Rainbow, a tracking system for children and the elderly and the Kylos, a merchandise tracking system. While the Company will continue to focus on the progress of its principal product range for the foreseeable future, it is intended that the Rainbow and the Kylos will be launched in the near future.

The Company's revenues derive from hardware sales to distributors and monthly web revenues from the provision of Starcom Online, to facilitate the tracking and monitoring features of the systems. Starcom Online services are available in over 30 languages. Starcom has always sought to invest a proportion of its revenues in research and development to maintain its products' competitive advantage as well as to develop new products and systems.

2. BACKGROUND AND HISTORY

The original business of the Group commenced operations in 2004 focusing on vehicle tracking for insurance purposes, launching a predecessor to the Helios in 2005. Regional sales offices in Argentina and Kenya were established in 2005 and 2008 respectively, with the Group introducing the Helios product in 2008. Following the development of its tracking business, the Group launched the Triton and Watchlock products in 2012, with the Watchlock winning Physical Security Innovation Product of the Year at the IFSEC Security Industry Awards in May 2012.

3. BUSINESS OVERVIEW

Products

The Company's current range of products is described below.

Helios – automatic vehicle location and fleet management system

AVL systems were originally introduced to facilitate fleet management due to advances in communications, automatic vehicle location and information systems. For businesses that operate a fleet of vehicles, whether cars or commercial vehicles, an AVL system enables them to monitor performance and behaviour.

AVL systems provide fleet operators with real time information with benefits for fleet managers. For many companies, AVL systems can provide a key management tool. The benefits of AVL systems include:

- the ability to track shipments;
- enhanced emergency response capabilities;
- improved terminal management;

- asset tracking;
- route productivity;
- fuel optimisation; and
- driver behaviour management.

Currently, AVL systems use a device fitted securely within the vehicle to provide up-to-the-minute information on the location of each vehicle, and even how fast it is being driven. As well as live tracking information and reports, modern AVL systems can also provide feedback on the driver's performance including how they are driving and unauthorised usage. In many instances, this enables the business to manage its resources more effectively, leading to potential savings in fleet running costs, increases in productivity and improved customer service.

The Helios: product description

The Company began to develop its fleet management system technology in 2005 and the Helios product was first launched in 2008. To 30 September 2012, approximately 150,000 AVL systems have been sold by the Company to distributors in over 50 countries around the world (comprising the Helios system and its predecessor). The Helios is targeted at companies that offer stolen vehicle recovery services as well as fleet managers seeking to reduce costs and improve customer service by monitoring a wide range of vehicle events and driver behaviours.

As with other AVL products, the Helios control unit fitted to the vehicle uses GPS, GSM and GPRS (and comparable technologies) to trigger localised responses arising from the occurrence of specified events as well as to communicate alerts and information to mobile devices and Starcom Control (or any specified control centres). In addition, activity reports can be generated for management review purposes.

The system allows the user to customise the unit to respond to specific events and to generate specific reports using Starcom's web application, Starcom Online. So far as the Directors are aware and reasonably believe, it is the only such system which can trigger email or text message alerts either by a single event (such as excessive vehicle speed) or a combination of events (such as excessive speed in a particular area).

The Helios system is an "open" system which can be configured to integrate with other related solutions such as navigation systems or immobilisers. Reports can be tailored to cover a number of variables such as fuel consumption, working hours, driving violations and vehicles entering or leaving designated areas. Recordable events include accidents, speeding, unauthorised loading/unloading and alerts when a specified mileage has been exceeded.

Manufacturing arrangements

Assembly of Helios units is carried out by a subcontractor in Taiwan. Units are typically ordered in batches on a quarterly basis, with additional orders submitted as and when required according to demand. The units are individually tested in the factory by Starcom-designed testing equipment prior to shipping.

Sales and distribution

The Helios is sold to distributors in over 50 countries, either as a standalone system or as part of an integrated solution allowing them to establish a revenue-generating fleet management business within a short period of time. The range of available features offered by the Helios, and the ability of distributors to white label the fleet management and emergency response control centre applications of the system, gives distributors access to a wide variety of potential clients in the private and commercial markets. End users include commercial vehicle fleets, public transportation operators as well as private customers. The Company's optional emergency response control centre solution, Starcom Control, includes a complete set of procedures in several languages.

The following table provides a geographic breakdown of the Helios unit sales on a percentage basis for the periods stated:

	<i>Six months ended 30 June 2012 per cent.</i>	<i>Year ended 31 December 2011 per cent.</i>
South America	55	49
Europe	13	16
Asia	10	20
Africa	12	8
Israel	3	3
Middle East	4	3
Australasia	3	1

Business model and recurring revenues

The revenue model comprises revenues from hardware sales and monthly web revenues based on the number of units connected to Starcom Online.

Between launch in 2005 and 30 September 2012, approximately 150,000 AVL systems (comprising units of the Helios product and its predecessor) had been sold by the Company, of which over 51,000 generated recurring monthly web revenues for the Company as at 31 December 2012. The Company receives all revenues from hardware sales and monthly web revenues from its distributors rather than from end users of the system. An initial sale of a Helios unit by the Company does not automatically result in the initiation of monthly web revenues until such time as the distributor has sold on the Helios and it has been connected to Starcom Online.

Competition

There are several technology developers offering products with similar features to the Helios. In many cases, a particular product's degree of market penetration in any country will depend on the strength of its distributors in that market as well as the particular aspects of that market which drive demand for AVL systems. Competition for track and trace solutions as well as fleet management solutions also comes from a number of car and vehicle manufacturers.

Major players in the European and North American markets include:

- Masternaut – with an installed base of around 250,000 units (mainly in France and the UK);
- TomTom Business Solutions – with 200,000 subscribers in 2011;
- Transics – largest European player in the heavy trucks sector, with an estimated 75,000 active units installed;
- Qualcomm Enterprise Services – ranked as the largest player in the North American heavy trucks sector, with an installed base of around 450,000 units; and
- Trimble – after the recent acquisition of PeopleNet has an installed base of 360,000 units.

In addition, there are several smaller worldwide competitors, including Teltonika (Europe), Pointer Telecation (International), Skypatrol (International), Meitrack (China), Queclink (International), Gotrack Technology (Australia), GPS Tracking Australia (Australia), I Tracking (Thailand), Minor Planet (Malaysia), Box Telematics, Sprint Telematics, Quartix and Fleetmatics (all UK), Garmin and LoJack (US).

Watchlock – Award winning high security padlock and electronic alarm system

Product description

The Watchlock is a robust high security padlock which integrates Starcom's monitoring system, with built-in GPS locating system and GSM-based communication technologies to provide real-time event and location information through email or text message or web-based applications.

The Watchlock product is jointly owned with Mul-T-Lock Technologies Ltd ("Mul-T-Lock"), a leader in the development, manufacture and marketing of high security products for institutional, commercial, industrial, residential and automotive applications. Mul-T-Lock is part of the Swedish-based ASSA ABLOY group, the world's leading manufacturer and supplier of high security locking solutions.

The Watchlock won Physical Security Innovation Product of the Year at the IFSEC Security Industry Awards in Birmingham in May 2012, when the product was launched.



The Watchlock

Product features and applications

The Watchlock's possible uses are the same as for the traditional padlock, in securing fixed and mobile assets, but with the added functionality of real-time location and tracking. Watchlock can report tampering while simultaneously transmitting its location to Starcom's online web application, making it ideal for both static sites (for example, warehouses, pipelines, and perimeter fences) as well as mobile applications (for example, trucks, trailers, and vending machines).

As a high security padlock, the Watchlock is able to inform the user of an event that requires attention. The user is able to tailor the alerts and information flow to their needs. The Watchlock's functionality covers a range of features:

- it will alert by text or email when the padlock is opened, so is ideal for instantly alerting security companies responsible for the offsite protection of warehouse premises or critical or remote or hard-to-access infrastructures such as mobile phone masts, electricity transmission towers and CCTV cameras;
- when fitted to a freight container, it will track its location at any time and send an alert if there has been a deviation from a pre-set route or time schedule, so is ideal for companies looking to protect their goods in transit or for parties involved in settling an insurance claim;
- when secured to a movable asset, it will trigger an alert if moved outside a defined perimeter, and its location can subsequently be tracked in real-time through the web-based application;
- likewise, it can trigger an alert when the padlock is opened or closed, thereby assisting management in tracking the exact opening and closing times of (for example) a lock-up shop;
- it can monitor a remote site, such as a mobile phone tower, to check if it was serviced as planned; and
- the system can send periodic reports, thereby eliminating the need for onsite inspection of the padlock.

In summary, the Watchlock provides reassurance that a valuable asset has not been tampered with, or is where it should be.

The Watchlock integrates Mul-T-Lock's C10 high security padlock, incorporates advanced key duplication control, does not rely on an external power supply and can operate in extreme weather conditions. Its pre-sets can be programmed remotely through Starcom Online and the system is supported by a secure server to offer personalised reports, with detailed and real-time information, and a full audit trail of activity.

Distribution

The Watchlock is, and will be, marketed and sold through both Starcom's and Mul-T-Lock's own respective distribution channels (including in the case of the latter the distribution network of ASSA ABLOY). Mul-T-Lock has exclusive marketing rights in Israel and the Palestinian Authority for an initial period of two years from May 2012, being the date of the official launch of the Watchlock at the IFSEC International conference.

Starcom is initially targeting its existing distributors across over 50 countries for the Watchlock, and intends to pursue additional distribution partners reflective of the different market place for the Watchlock versus the Helios.

Business model and recurring revenues

As with the Helios, the revenue model for the Watchlock comprises revenues from sales of units and monthly web revenues based on the number of units connected to Starcom Online. All such revenues are receivable from the Company's distributors rather than from end users of the system. Receipt of web revenues is not contractually linked to the arrangements between the distributors and their end user clients. In addition, the Company is entitled to a share of the web revenues generated by Mul-T-Lock.

Under the terms of the joint venture with Mul-T-Lock, after deducting an agreed percentage mark up on the cost of each party's component cost, the gross margin on the sale price is split 50:50 between Mul-T-Lock and the Company. Starcom is entitled to 100 per cent. of the monthly web revenues on its sales of Watchlock and 70 per cent. of such revenues on Mul-T-Lock's sales of Watchlock.

Manufacturing arrangements

Assembly of the Watchlock is carried out between Starcom and Mul-T-Lock. The printed circuit board unit is assembled in Taiwan and tested at the factory; it is then shipped to Israel for assembly in the plastic and ultra-sonic solder. The solder of the unit is retested and then shipped to Mul-T-Lock, for assembly with the padlock. Once packaged, it is ready for shipment.

Competition

Whilst the Directors believe the Watchlock to be one of the first products of its kind to integrate alerts and tracking capabilities with a padlock, they have identified some potential competitors whose products incorporate various different elements of the Watchlock.

UK-based Kabrus Smart Lock Technologies manufactures a multiple padlock product which can sound an alarm, send a text message or communicate with the owner if a padlock is tampered with, however this product requires a separate central control unit and does not incorporate GPS or tracking technologies. The Kabrus system currently retails at £655 for four locks and a control unit.

A product which does incorporate similar tracking features to the Watchlock has been created by DeWalt, a company mostly involved in the manufacture of power tools. DeWalt's MobileLock is a self-contained wireless alarm system and GPS locator, which is triggered using a number of sensors including vibration, door contact, temperature and tamper sensors and a motion detector and notifies the user of any unusual activity via email, text or telephone call, however does not include a lock feature. The MobileLock currently retails at approximately \$300 with a monthly fee of \$20 after activation.

Whilst there are similar products to the Watchlock on the market, the Directors believe none has the degree of functionality of the Watchlock, a view enhanced by it winning the Physical Security Innovation Product of the Year at the IFSEC Security Industry Awards in 2012. Furthermore, the Directors believe that the Company's relationship with ASSA ABLOY through Mul-T-Lock gives the Watchlock access to a distribution base tailored to security products.

Initial indications of demand

As at 31 December 2012, the Company had shipped 6,457 Watchlock units across 26 countries and it has been informed that Mul-T-Lock intends to begin selling the Watchlock in early 2013. The product is being tested in numerous pilot projects which, if successful, the Directors believe could lead to significant orders.

Triton – container tracking system

The tracking and monitoring of freight containers has been identified as a key security and management issue for international trading companies and the freight forwarding industry. In particular, the incidence of theft or loss of containers carrying high value items can significantly increase the cost and limit the availability of cargo insurance. Furthermore, tampering with a container can have a material impact on the standard of delivery of the goods particularly if they need to be refrigerated or are otherwise perishable. At the same time, there is a growing demand for systems which can accurately and in real-time track the location of containers as they pass through numerous ports and stations en route to their final destination. While the market is at an early stage of development, it is expected that demand for tracking systems in container shipping will grow quickly – approximately 77,000 systems incorporating GPRS or satellite communication for intermodal containers were actively deployed at the end of 2011, however this is expected to reach 1 million by 2016 (source: Berg Report).

Product description

The Triton can be installed in a matter of seconds on the inside hinge of the container door, unlike other systems which can require a complex and time-consuming set up process. The system tracks the location of the container and allows its security or condition to be closely monitored. Email or text message alerts can be triggered either by a wide range of single events (such as opening or closing of the container door) or a combination of such events (such as the container door opening outside a defined area) all of which can be configured remotely by the end user through Starcom Online. The Directors believe it is the only comparable device which, by wireless connection to sensors within the container, can trigger alerts in reaction to a comprehensive range of events, including changes in light (to detect container ingress other than through the door) or temperature.

In addition to the above events, the Triton can detect many other events, such as:

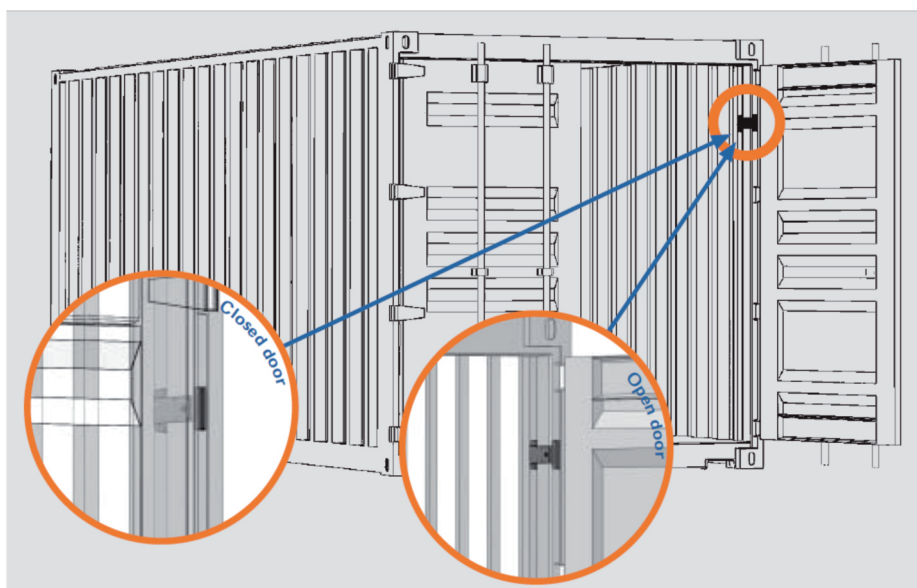
- removal by towing;
- untoward impacts on the container;
- excessive speed (alerting when the container travels beyond a certain speed); and
- deviation from a pre-set location (alerting when the container fails to arrive at a designated area by a pre-set time, or leaves a designated area outside a designated timeframe).

The Triton's functionality shares many features with the Watchlock and the Helios, including allowing operability over a range of GSM networks and an efficient messaging system.

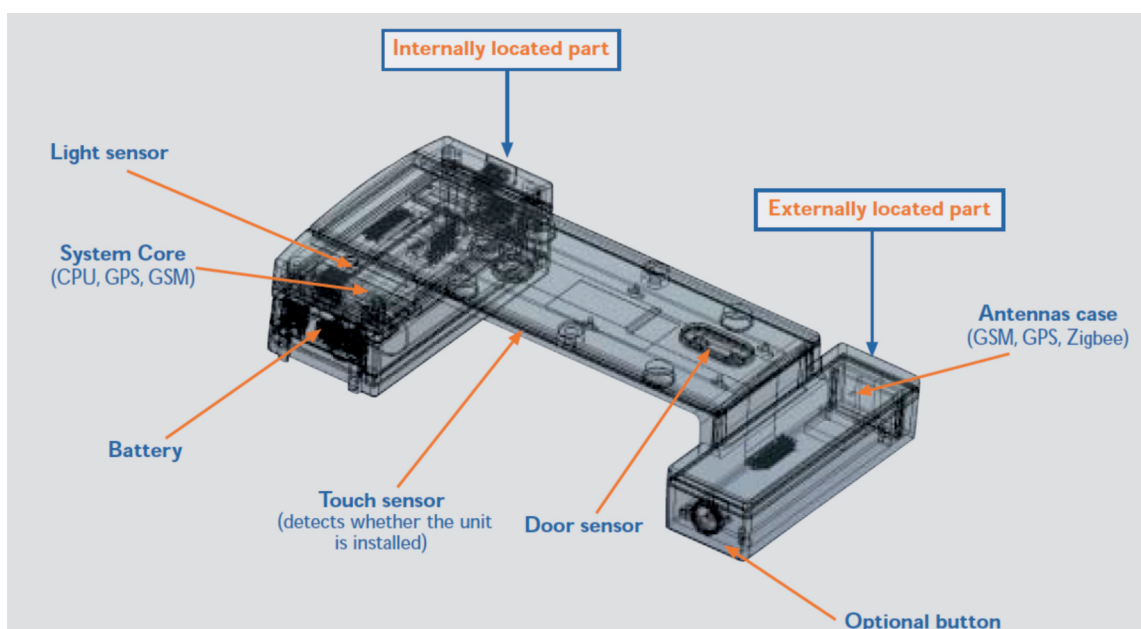
A potential new application of systems like the Triton is in the field of anti-terrorism and security as they can help prevent the usage of containers for terrorist activities. Existing measures by port authorities do not allow continuous tracking and monitoring outside terminals, even in the post 9/11 environment where supply chain management has come into sharper focus. The Triton can detect if the container has remained locked as required during the entire duration of its trip.

Manufacturing arrangements

The printed circuit board unit and the plastic casing are assembled in Taiwan by one of Starcom's subcontractors and shipped to Israel. Assembled units are then tested rigorously by Starcom Israel both before and after the application of ultrasonic soldering.



Position of Triton product within a shipping container



Components of the Triton

Sales and distribution

The Triton will be marketed primarily through Starcom's own distributors. In addition, the Company is considering OEM partnerships with integrators, to include the provision of services such as installation of the units, removal of the units, monitoring and leasing units per trip. Based on market reports, the Directors believe that the cost of insuring a container where it is fitted with a tracking device will be materially reduced and that therefore the insurance market will be the main driver for the Triton. The information that the Triton can provide can help insurance companies and claimants as to the circumstances around lost or damaged goods.

Following testing by environmental test laboratories, the Triton was endorsed by Kiln, a Lloyds of London underwriting syndicate, in May 2012 as satisfying a key policy condition of its high value cargo insurance. At present the Directors believe that the Triton is one of only two products approved by Kiln, and in addition, the Company is currently negotiating with a number of other insurance providers to have the Triton recognised as an approved product.

Another potentially lucrative market is the logistics industry, whereby the Triton can provide real time updates on the location of containers as opposed to the alternative, offline and delayed data that is received from the shippers and forwarders. The Directors believe the route to market for the Triton will be driven by different factors to the Helios and the Watchlock. As mentioned above, the Company intends to consider leasing Tritons to shipping companies and depots allowing them in turn to provide a premium service to their customers by providing accurate surveillance of freight by replacing conventional monitoring methods with the remote automation of the Triton.

Business model and recurring revenues

As with the Helios and Watchlock, the revenue model comprises revenues from hardware sales to distributors and monthly web revenues based on the number of units connected to Starcom Online. In addition, the Company anticipates that it will derive revenues from OEM partnerships, as described above. Where sales are made to the Company's distributors, all such revenues are receivable from the distributors rather than from end users of the system.

The Directors believe that the business model could be adapted to cater for a white label joint venture with a major OEM or a leasing model to a shipping service provider.

Competition

The Triton competes with alternative products through its increased functionality, installation method and price. Products available in the market include:

<i>Unit</i>	Triton	PT-500	PT-90	CSB
<i>Manufacturer</i>	Starcom GPS	Peartrack	Peartrack	CSB
<i>Size</i>	Reefers: 107x61x21 or 24.5 mm Dry-van: 195x96x40mm	150x80x57mm	Contained inside standard container vent housing	540x400x60mm
<i>Installation</i>	No special tools required	Both internal and external units require drill installation and a hole in the container wall is required for the antenna	Installed to the outside of the container	Complicated; installation required both internally and externally
<i>Light sensor</i>	Built-in	Optional	No	Unknown
<i>Impact detection</i>	Built-in 3D accelerometer	Movement sensor	Movement sensor	Yes
<i>Temperature monitoring</i>	Built-in with adjustable alerts	Optional	No	No
<i>Monitoring of both container doors</i>	Built-in	Optional	No	Yes
<i>Monitoring of container break-ins</i>	Built-in	Unknown	No	No
<i>Wireless sensors</i>	Wide range of available sensors	No – four digital inputs, each of which must be separately wired to the unit	No	No

Starcom Online – web-based and mobile tracking and monitoring application

Starcom Online is an advanced web-based and mobile tracking and monitoring system, to be used in conjunction with all of Starcom's devices, that monitors and controls the activities of the units. The application can display the asset in real time and, by incorporating an extensive range of maps, can track units on an international level. Fully customised to suit the user, the application generates reports on a daily, weekly or monthly basis, detailing, for example in the case of the Helios, the behaviour of a fleet, such as driver data, vehicle data or work schedules. Starcom Online is available in over 30 languages.

Starcom Control – operational security centre application

The Starcom Control application sets in place the procedures for various emergency situations, including theft, accidents or driver emergency. Fully customisable and able to follow a pre-set chain of notifications in an emergency situation, the procedures are tailored to each centre with respect to the customer's requests, local regulations, laws and language. For example, in a case of theft, the first step would be to contact the customer to verify that the vehicle had been stolen, the second would be to contact the local police, the third would be to contact the customer's insurance providers and so on.

The Company's product range is designed to be used in conjunction with Starcom Online and Starcom Control. Distributors opting to use their own monitoring applications would require explicit permission from Starcom, typically when becoming a distributor of the Company's products.

Other Products

The Company has also developed the Kylos and the Rainbow.

Kylos – Merchandise Tracking Unit

The Kylos unit, targeted for launch in mid-2013, will be a device for the real-time protection and tracking of merchandise or personal goods such as baggage, with a built-in battery and no need for an external power supply. Small and concealable, the unit will keep track of items in transit and a broad range of situations, while remaining hidden. The device will incorporate a number of Starcom features, including the ability to track and pinpoint the exact location of items and sensors to monitor any unusual events, such as movement outside a defined perimeter, impact and changes in temperature and light.

In addition, the Kylos will incorporate several time- and cost-saving features, such as the ability to monitor the content of the container for a lengthy period of time without a battery recharge and the ability to monitor a number of items of merchandise simultaneously, leading to an enhanced level of security at lower cost.

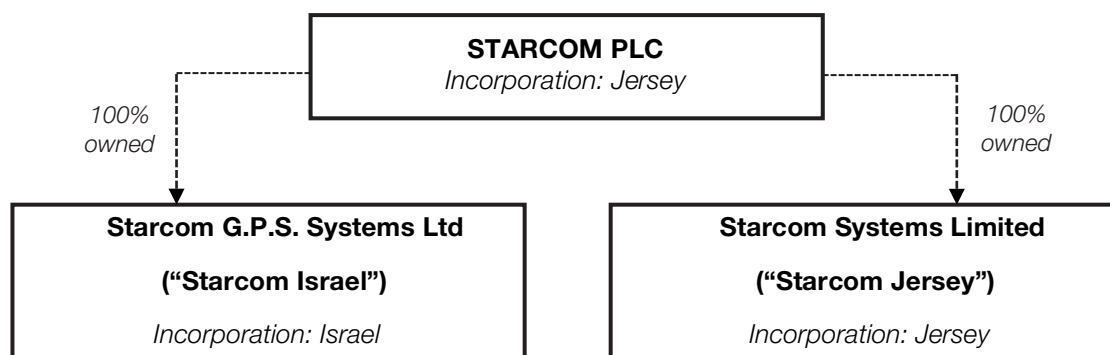
Rainbow – Personal Tracking Device

The Rainbow is a personal tracking device, designed for the remote monitoring of individuals at a certain level of risk, such as the elderly or the young. It is intended that the Rainbow will have a number of outputs and sensors detecting a variety of situations, such as leaving a specific geographical location, falling over, an unusual walking pace, running or a lack of movement. In addition, the Rainbow will incorporate several features to be used or useful in times of distress: for example, the device could be connected to external sensors to detect vital signs of the wearer such as heart rate or blood pressure and could also allow the wearer to talk directly to those persons monitoring the device at the press of a button. The Rainbow product is currently in the test phase, with a targeted launch of mid-2013.

4. GROUP STRUCTURE

The Company was established in Jersey in 2012 to acquire the business and associated assets and liabilities of Starcom Panama and the entire issued share capital of Starcom Israel which, together, comprise the trading businesses of the Group on Admission.

The following diagram represents the structure of the Group, conditional on Admission.



Following Admission, the trading business will be conducted via Starcom Jersey or Starcom Israel, as appropriate, with the Company acting solely as a holding company. Please see paragraphs 11.14 and 11.15 of Part VI for further details.

5. SUPPLIERS

The Group endeavours to have multiple sources for the components of its products, which are assembled in Taiwan. While the Group currently does not have framework agreements or supply contracts with any of its suppliers, agreeing sales and purchase terms on an order by order basis, the Board intends to initiate a more formal engagement structure, with a clear terms and conditions policy, post Admission.

6. INTELLECTUAL PROPERTY

The Company has two patent applications pending, one for the Watchlock and one for the Triton.

Triton

A PCT (international) patent application was filed on 20 October 2010, claiming priority to a US application made previously. In the absence of the patent being granted at the date of this document a state of the art search report was commissioned. The searches did return prior art references which may impact the ability for the Triton to be patented. Further details are set out below in Risk Factors in Part II of this document.

Watchlock

The intellectual property relating to the Watchlock is jointly held by Starcom and Mul-T-Lock with a CTM (EU trade mark) also being held jointly. A PCT (international) patent application was filed on 1 May 2011 in the name of Starcom alone and has been nationalised in the US and Europe. In the event of granting, the patent will be transferred to the joint names. Like the Triton, a state of art search report was commissioned which revealed potential prior art references. The Company believes that the form of prior art in relation to the Watchlock is not material and should not impact the patentability of the Watchlock.

Save for the jointly held trademark for Watchlock, the Company does not have any formal trademarks for any of its other products nor does it currently have any registered designs.

All applicable copyright for Starcom's services and web interface is owned by the Company.

7. RESEARCH AND DEVELOPMENT

The Company's R&D function is headed up by the Company's CTO, Uri Hartmann. The Company has invested extensively in its R&D to improve its existing products and to develop new ones. The Company has plans for multiple refinements and improvements to its portfolio of products as they roll out to ensure they are always in line with competitors in those specific markets and the technologies available.

8. MARKETS

The telematics market for vehicle tracking and monitoring is well developed, and in 2010 North America (and in particular GM's Onstar system), accounted for around 70 per cent. of worldwide sales of embedded vehicle telematics. Immediate future growth markets include Brazil, Russia and Europe, with China playing an increasing role in the long term future of this area. Telematics technology is anticipated to have an impact on the motor insurance market and is expected to generate EUR 50 billion in premiums by the end of the decade. In the commercial segment, these will be sold as a component of large fleet management solutions by insurers, leasing companies and other players. Early evidence of telematics being used as part of insurance policies has already been documented in the United Kingdom.

The market for AVL systems is steadily growing, with the number of fleet management systems deployed in commercial vehicle fleets in Europe expected to rise from 2.5 million at the end of 2011 to 5.7 million by 2016 and from 2.8 million to 5.9 million over the same time period in the North American market, with the Latin America market also expected to double to 2.8 million by 2016.

Although instances of cargo theft continue to rise, the container tracking market is still in its early stages of development as new technologies are developed. While there are several government initiatives aimed at tightening security of the shipping industry, particularly in the US, there remains a lack of technology standardisation. The shipping industry remains fundamental to global trade, with 80 per cent. of international trade goods carried by sea, and the number of tracking units fitted to 'intermodal' transport container systems is expected to grow from 77,000 units at the end of 2011 to 1 million units by 2016, supported by an increase in the penetration rate of tracking systems (source: Berg Report).

While the market for high security padlocks is relatively well developed, there are few competing products offering tracking capabilities and thus there is no specific market at present for the Watchlock.

9. KEY STRENGTHS

The Directors believe that the Group's key strengths to be as follows:

- Diversified product offering servicing a wide range of sectors based on a core proven technology
- Solutions that can be adapted to meet the needs and requirements of the end-user
- Well-established, profitable, business with sales in multiple jurisdictions
- Key focus on research and development
- Award-winning product in the Watchlock and a strong partnership with ASSA ABLOY
- Recurring revenue model through the Company's web and mobile services

10. STRATEGY

Market Strategy

Starcom currently uses distributors to market its products throughout the world. The majority of sales comprise the Helios which, as a product, faces strong competition in North America and Western Europe. As a result, Starcom has focused on emerging markets throughout Africa, South America, some countries in Europe and throughout Asia. Starcom believes that its existing markets continue to offer good potential for its products due to:

- governmental regulations that vehicles use tracking and monitoring systems;
- competitive pricing; and
- established presence in these markets with a proven, reliable, track record.

Starcom currently has two sources of income: (i) sales of hardware and (ii) recurring web revenues through the monthly subscription fees from the provision of Starcom Online services, an average of \$3 per unit per month.

Starcom offers two business models for its distributors:

- *Full turn-key solution*: this includes the hardware and Starcom Online as a bundled package and can be implemented and distributed immediately.
- *OEM solution*: this solution is for existing distributors who are interested in bespoke, white label products, whether hardware or software.

Distribution Strategy

Whilst the Company's sales channels for the Helios are well-established, the Company has recently taken on further personnel to focus on its new products and to develop new channels to market, specifically for the Watchlock and the Triton. The Directors intend that initial sales efforts will be focused on liaising with existing distributors for the Helios whilst attending relevant trade shows and exploring relationships with potential partners and new distributors.

As its product range expands so too does the Company's strategy in how best to market its new products and it is currently working on a number of strategies:

1. it will continue to leverage off its relationships with existing worldwide distributors.
2. co-operation/alliances with strategic partners, for example, Mul-T-Lock's chain of representatives.
3. specifically with the Triton, offering white label or leasing solutions.
4. establishing local sales offices in Western Europe and the USA, and in other locations where the Company determines that local representation is critical for success.

11. SUMMARY FINANCIAL INFORMATION

The financial information below in respect of the three years ended 31 December 2011 relates to Starcom GPS and is extracted from the Combined Historic Financial Information in Section D of Part III.

	<i>Year ended 31 December</i>		
	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Revenues	5,153	5,327	5,575
Gross profit	1,994	2,380	2,867
Operating (loss)/profit	(20)	777	922
Net finance costs	(105)	(299)	(133)
(Loss)/profit before tax	(125)	478	789

Revenues comprise hardware sales and web revenues from Starcom Online. Hardware sales in the three years to 31 December 2011 related almost exclusively to the Helios. Over the same period, web revenues more than doubled from US\$778,000 in 2009 to US\$1,582,000 in 2011. Web revenues as a percentage of total revenues have also increased, from 15 per cent. in 2009 to 28 per cent. in 2011.

Gross profit on hardware sales increased by 37 per cent. from 2009 to 2011, offsetting the 5 per cent. reduction in hardware sales revenue in the same period. Gross profit on web revenues experienced similar percentage growth to the growth in web revenues and in 2011 accounted for 54 per cent. of total gross profit.

The operating loss in 2009 was mainly due to a charge of US\$826,000 in respect of research and development expenditure. No such amounts were capitalised in 2009, whereas in 2010 and 2011 research and development expenditure of US\$529,000 and US\$603,000 respectively was capitalised.

Geographically, the Company has seen a shift from Africa which in 2009 accounted for 34 per cent. of sales (2011: 12 per cent.) to South America which has grown from 27 per cent. of sales in 2009 to 49 per cent. in 2011.

12. CURRENT TRADING AND PROSPECTS

The financial information below in respect of the half year ended 30 June 2012 relates to Starcom GPS and is extracted from the Unaudited Interim Financial Information in Part IV.

	<i>Half year ended 30 June</i>	
	<i>2011</i>	<i>2012</i>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Revenues	2,557	3,414
Gross profit	1,291	1,861
Operating profit	332	1,009
Net finance costs	(199)	(141)
Profit before tax	133	868

As shown above, trading for the 2012 financial year began well. Operating profit in the first half of 2012 increased by threefold compared to the same period in 2011 and eclipsed 2011 full year operating profit.

The second half of 2012 has seen strong growth in sales of the Helios, especially to new markets in Eastern Europe. The Directors are also encouraged by the progress being made with the Watchlock; since its launch towards the end of H1 2012, some 6,457 Watchlock units had been sold by 31 December 2012. As at 15 February 2013, the Watchlock order book comprised some 6,650 units.

The Directors are encouraged by the performance of Starcom GPS in the year ended 31 December 2012.

13. DIRECTORS AND SENIOR MANAGEMENT

Michael Rosenberg (aged 73), Non-Executive Chairman

Michael Rosenberg began his career in 1957 with the merchant bankers Samuel Montagu and Co Ltd, where he subsequently joined the board in 1972. Following the company's acquisition by Midland Bank he left the board in 1974 to co-found a healthcare business, later known as United Medical Enterprises Ltd, which provided management services and equipment services to hospitals internationally. Michael became chairman of the British Healthcare Export Council (now known as A.B.H.I.) and led a number of trade missions overseas. He was also a founding shareholder and director of TVAM in 1983, the first UK commercial breakfast TV channel and has been active in the media sector as a director and shareholder of David Paradine Ltd (the family business of Sir David Frost) since 1974.

Michael was a shareholder and later chairman of what is now known as Numis Securities Plc from 1989 to 1999. He currently holds a number of chairman and non-executive positions on the board of AIM-quoted companies, including Catalyst Media Group plc, Pilat Media Global plc, Photon Kathaas Productions Ltd and Amiad Water Systems Ltd.

In 1994 Michael was awarded the OBE for services regarding trade with Hong Kong and has previously served as chairman of the DTI's committee on trade with Hong Kong and as a director of the China Britain Business Council.

Avraham (Avi) Hartmann (aged 54), Chief Executive Officer

Avi Hartmann founded Mobiltel Communication Services in 1996 and served as its CEO for three years, until it was bought-out by Pelephone, the first mobile telephony provider in Israel, in 1999. During this period he created a development and sales infrastructure which defined, developed, and marketed a GPS-based location product for vehicles, which was the first product of its kind in the country to use GPS technology.

In 2005, together with Doron Kedem and his son, Uri, he founded Starcom where he has been CEO for the last 8 years.

Eitan Yanuv (aged 44), Chief Financial Officer

Eitan has been the CEO of Implement Ltd since he founded the business in 2002. Implement provides consultancy services to SMEs in Israel specifically in the technology space. Prior to setting up Implement, he worked in corporate finance at Kost Forer Gabay E&Y. He has been CFO of AIM-quoted SerVision Ltd since 2004 and joined Starcom in 2012.

Martin Bloom (aged 61), Non-Executive Director

Martin Bloom is a former corporate strategist at Unilever with almost 40 years experience in strategic partnering, technology commercialisation and business strategy. Martin has built businesses in the US, Europe, and China, where he spends over a quarter of his time.

Acting as board chairman, Martin assisted Chinese solar wafer manufacturer ReneSola to list first on AIM and then on the New York Stock Exchange (NYSE: SOL). Annual revenues grew from \$5 million to over \$1 billion within five years. He has recently joined the board of British fuel cell company Intelligent Energy, where he has also assisted with their Asian strategy. Martin's career has had significant involvement with Japan and Korea, and more recently China. He became involved with China in 2001, and was appointed UK chairman of the China-UK Venture Capital Joint Working Group, launched by Gordon Brown during his official visit to China in February 2005, to foster collaboration between the venture capital and private equity industries in both countries.

Martin has a bachelor's degree with honours in economics from the University of Southampton and a master's degree in history jointly from Imperial College and University College, London.

Senior management***Doron Kedem (aged 49), Chief Operating Officer***

Doron Kedem has over 20 years of experience in a variety of positions, including entrepreneurship and development, ongoing management and operations, financial management, marketing and sales. As one of the founders of Starcom, Doron has been intrinsically involved in the development of the Company, including responsibility for the establishment and management of the financial and operational systems of the Company; sales and marketing operations in Asia, Africa, and Europe; development of the Watchlock product and involvement in establishing the business partnership with Mul-T-Lock, specifically in production and product development.

Prior to the formation of Starcom, Doron served from 1996 to 2000 as founder and co-manager of Mobiltel, a telecommunications company based in Bulgaria, where he was involved in the establishment of a service and control centre aimed at recovering stolen vehicles, management of certain ongoing operations (including building a VHF communication network), the creation of intelligence infrastructure within certain territories and building an alliance with the Etgar unit of the Israeli police.

Uri Hartmann (aged 31), Chief Technical Officer

Uri Hartmann has over 16 years of experience in software and hardware development and has held a variety of technical and general management roles. He is a graduate of the Practical Engineering School of Tel Aviv University and holds a software engineering degree from the Open University. Uri is a founder of the Group and his role includes the formation, practical development and management of the technical support team, establishing and training operations abroad and forming and management of the hardware engineering team. In the early stages of development of Starcom, Uri's role involved the writing and development of the entire system, from the firmware through to the communication applications, the control centre application to the online application.

Uri has previously served in the technology unit of the Intelligence Corps as part of his military service, which included the establishment of computerised measuring systems. In the mid-1990's, Uri undertook a freelance project writing and developing software for Analog Devices, Inc., for the management of the installer's network, which included an array of databases, including customers, orders, employees and inventory. He also worked, from 1996 to 2000 with Mobiltel, writing and developing management software for the Shiturint product, designed to restore stolen vehicles.

14. THE PLACING

The Company proposes to raise £2,720,000 before expenses by issuing 13,600,000 Placing Shares through a conditional placing by Northland as agent for the Company to supplement the Group's existing cash resources, reduce the Company's gearing and fund the ongoing development of the Group; specifically the launch of new products and continued R&D. The estimated net proceeds of the Placing amount to approximately £2,080,000.

The principal and interest outstanding under the Hagshama Loan Agreement, amounting to US\$1,150,056 as at the date of this document, will be repaid pursuant to the Hagshama Agreement out of the net proceeds of the Placing. In the consolidated IFRS financial statements of the Company for the year ending 31 December 2013, this is expected to result in a financial expense representing the difference between the amount repaid and the carrying value of the loan (US\$670,000 as at 30 June 2012).

Pursuant to the terms of the Placing Agreement, further details of which are set out in paragraph 11.3 of Part VI of this document, Northland has agreed to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing is not being underwritten. The Placing Shares will represent approximately 19.13 per cent. of the Enlarged Share Capital immediately following Admission.

15. REASONS FOR ADMISSION

The Directors believe that Admission to AIM will bring a number of benefits to the Company. With the increase in the number of products and movement into new markets the Directors consider this an appropriate time to raise the profile of the business through a public quotation.

Given the wide geographical spread of sales in the business the Board feels that AIM, with its track record of attracting high growth, international companies, represents the best public market for the Company at its stage of development.

The Placing and the access to capital on AIM will greatly strengthen the Company's position as it seeks to promote its new products whilst continuing to invest in R&D to ensure the Company's technologies improve.

Furthermore, in the event that strategic acquisitions are identified, the Company will be able to offer quoted shares as consideration.

16. ADMISSION AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 27 February 2013.

It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be posted by first class post on 13 March 2013, or as soon thereafter as is practicable.

17. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles contain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form under the CREST Regulations. Accordingly, settlement of transactions in the Ordinary Shares following Admission may continue to take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

18. LOCK-INS AND ORDERLY MARKET UNDERTAKINGS

At Admission, the Directors and the Founders will hold or be interested in, directly and indirectly, an aggregate of 56,350,000 Ordinary Shares, representing approximately 79.25 per cent. of the Enlarged Share Capital.

Each of the Directors and the Founders (together in each case with their related parties, as applicable) have undertaken to the Company and to Northland that they will not dispose of their Ordinary Shares for a period of 12 months following Admission and, other than through the Company's broker so as to ensure an orderly market, they will not sell any Ordinary Shares for the period of 12 months thereafter. These arrangements will apply in respect of 56,350,000 Ordinary Shares, representing, in aggregate, 79.25 per cent. of the Enlarged Share Capital.

In addition, pursuant to the Hagshama Loan Agreement the shares in the Company issued to Hagshama upon Admission are subject to limitations on sale (the extent of which are not defined in the Hagshama Loan Agreement) for a period of six months from Admission.

The undertakings outlined above do not apply in certain specified circumstances, including acceptance of an offer for all of the Ordinary Shares that (if accepted) would result in the offeror obtaining or consolidating control of the Company or the execution of an irrevocable commitment to accept such offer.

Further details of these arrangements are set out in paragraph 11.4 of Part VI of this document.

19. CORPORATE GOVERNANCE

The Company is not required to comply with the provisions of the UK Corporate Governance Code which was published in June 2010 or any Jersey corporate governance regime.

However, the Directors recognise the importance of sound corporate governance and intend that the Company will comply with the provisions of the UK Corporate Governance Code and the QCA Guidelines insofar as they are appropriate given the Company's size and stage of development.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Admission, the Company intends to hold Board meetings at least six times each financial year and at other times as and when required.

The Company has established properly constituted audit and remuneration committees of the Board with formally delegated duties and responsibilities.

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet not less than three times in each financial year, with the Company's Chief Financial Officer Eitan Yanuv in attendance, and will have unrestricted access to the Company's auditors. Members of the audit committee will be Martin Bloom, who will chair the committee, with Michael Rosenberg as a member.

The remuneration committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The committee will meet as and when necessary to assess the suitability of candidates proposed for appointment by the Board. In exercising this role, the Directors shall have regard to the recommendations put forward in the UK Corporate Governance Code. Members of the remuneration committee will be Michael Rosenberg, who will act as chairman of the committee, with Martin Bloom as a member.

The Company has adopted a share dealing code for dealings in securities of the Company which is appropriate for a company admitted to AIM. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules for Companies) with such code.

20. DIVIDEND POLICY

The Directors' immediate intention is to reinvest surplus funds in the further development of the Group.

In the longer term, the Directors intend to pursue a dividend policy which, subject to compliance with all the provisions of the Companies Law and satisfactory trading and having regard to prevailing circumstances and opportunities, will provide for the distribution of a proportion of the consolidated profit after tax of the Company, whilst continuing to retain the balance of the Company's earnings in order to facilitate the Board's strategy for the continued growth of the Group.

21. SHARE OPTION SCHEME

The Group intends to provide senior management team members and employees with an equity incentive in the Group. To this end the Company has established the Share Option Scheme. Options awarded under the scheme will be made subject to approval by the remuneration committee. Further details on the Share Option Scheme are set out at paragraph 6 of Part VI. The Company intends that the Share Option Scheme will be approved by the Israeli tax authorities prior to any grants being made. This process typically takes approximately six months.

22. TAXATION

General information relating to UK and Jersey taxation with regard to Admission is summarised in paragraphs 13 and 14 of Part VI of this document. This document does not address the tax consequences for a prospective investor in any taxing jurisdiction other than the UK and Jersey. **Any person who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than that of the UK or Jersey, should consult his or her independent tax adviser and/or other professional advisers immediately before considering an investment in the Company's Ordinary Shares.**

23. TAKEOVER CODE

Despite being incorporated and registered in Jersey, as the main place of business of the Group is outside the British Islands, all of the executive Directors are resident outside the British Islands, and it is expected that Board meetings will be held outside the British Islands, the Directors do not believe that the Panel would consider the place of central management of the Company to be located in the British Islands. Accordingly, the Directors do not believe that the Company will be subject to the Takeover Code and Shareholders will not therefore be afforded any protections under the Takeover Code.

For so long as the Company is not subject to any protections afforded under the Takeover Code, the Articles apply protections to reflect certain provisions contained in the Takeover Code. Further details of the protections are contained in paragraph 5.30 of Part VI of this document.

In July 2012, the Takeover Panel published a Public Consultation Paper ("PCP") in relation to companies subject to the Takeover Code. The main change proposed in the PCP was the removal from the Takeover Code of the "residency test" that currently applies, *inter alia*, to UK companies whose shares are quoted on AIM. If this proposal were to be implemented, the Directors consider that the Company, which may not currently be subject to the Takeover Code, will fall under its jurisdiction, for the reasons explained in the PCP. The consultation closed on 28 September 2012 and the Takeover Panel's response and decision is currently pending.

24. ADDITIONAL INFORMATION

Your attention is drawn to the information included in the rest of this document. In particular, you are advised to carefully consider the risk factors contained in Part II of this document.

PART II

RISK FACTORS

In addition to all other information set out in this document, the following specific risk factors should be considered carefully by potential investors in evaluating whether to make an investment in the Company. An investment in the Company described in this document may not be suitable for all of its recipients. Before making a final decision, investors in any doubt are advised to consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

You should carefully consider the risks described below and ensure that you have read this document in its entirety before making a decision to invest in the Company.

Prospective investors should be aware that an investment in the Company is speculative and involves a high degree of risk. In addition to the other information contained in this document, the Directors believe that the following risk factors are the most significant for potential investors and should be considered carefully in evaluating whether to make an investment in the Company. If any of the risks described in this document actually occurs, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. The risks listed below are not set out in any particular order of priority.

Risks associated with the Group

Dependence on key personnel

The Company is dependent on its Chief Executive Officer, Avi Hartmann and his key managers, Doron Kedem and Uri Hartmann. The success of the Group will be dependent on the Group's ability to identify, recruit, train and retain key management and qualified employees for technical, marketing and managerial positions. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel, the business may be materially affected. Consequently, the loss of the services of any of the key personnel, in particular Avi Hartmann, Doron Kedem or Uri Hartmann, without timely replacement may have an adverse effect on the financial performance of the Group.

Protection of intellectual property

The Group has applied for certain patents and trademarks in various jurisdictions. Third parties may in the future attempt to challenge the ownership of and/or validity of the Group's intellectual property. In addition, the Group's business is subject to the risk of third parties replicating the Group's designs, or applying for patents or trademarks in jurisdictions in which the Group does not currently operate but may wish to do so in future, or otherwise infringing the Group's intellectual property rights. The Group may not always be successful in securing protection for its intellectual property rights and stopping other infringements of the Group's intellectual property rights. The Group may need to resort to litigation in the future to enforce its intellectual property rights. Any litigation could result in substantial costs and a diversion of resources. Any failure by the Group to protect and enforce its intellectual property rights could have a material adverse impact on the Group's business, operating profit and overall financial condition.

In addition to applying for patents in respect of its products and technology, the Group also relies on a portfolio of intellectual property rights, including contractual provisions and accreditations to protect its intellectual property. However, such intellectual property rights may be difficult to protect. Monitoring and defending the Group's intellectual property rights can entail significant expense, and the outcome is unpredictable. The Group may initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights. Any such litigation, whether or not it is ultimately resolved in the Group's favour, could result in significant expense and divert the efforts of the Group's technical and management personnel.

Any of the Group's intellectual property rights might be challenged by others or invalidated by administrative processes or litigation. Additionally, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark and trade secret protection may not be available to the Group in every country in which in the future it markets its products or services. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United Kingdom, and domestic and international mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly the Group may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Group's technology.

Watchlock product risk

As detailed further in paragraph 11.7 of Part VI, Starcom Israel has an agreement with Mul-T-Lock whereby, *inter alia*, each party agrees to sell to the other party the component that is manufactured by such party and which is required for the manufacture and/or assembly of the Watchlock. The agreement was for an initial term of 4 years and thereafter for an unlimited period terminable on 6 months' written notice. The initial term expires on 15 December 2013. If at that time or any period after Mul-T-Lock terminated the agreement, the Company would be unable to continue with the sale of the Watchlock, which could have a material adverse impact on the expected earnings of the Group.

Whilst it does represent a real contractual risk, the Directors are of the belief that, because of the joint ownership of the developed intellectual property under the agreement, it will be in both parties' interest to maintain their working relationship for as long as there continues to be a valid market for an integrated system comprising locks and tracking systems as represented by the Watchlock.

Triton patent risk

The prior art search carried out in respect of the Triton patent revealed three critical prior art references in respect of US patents, all of which were published before the earliest priority date for the Triton patent. This could jeopardise the prosecution of the Triton patent. In order to obtain registration, the Triton patent could require significant amendment such that upon grant the Triton patent will be significantly weakened or not cover the claims in respect of which it was originally filed. If the owners of the patents in relation to which prior art was detected deem the Triton to infringe their patents, then this may jeopardise the development of the Triton, as the Group may be called upon to pay substantial sums for licensing, may be prevented from selling or marketing the Triton in the US, and may be the subject of legal proceedings in the US or elsewhere. This would have a material and adverse effect on the ability of the Group to market and sell the Triton and would expose the Group to significant costs and wasted resources.

Product development

The Company's future success depends upon the Group's ability to develop and introduce new products, services or enhancements which meet the needs of its customers and the changing demands of the market.

The Group may need to incur substantial product development expenditure to keep pace and ensure compatibility with new technology in its target markets. If the Group fails to develop and introduce new products, services or enhancements on a timely basis, its products and services may no longer be acceptable in the marketplace and the Group may be unable to attract new customers or retain existing customers.

Additionally, as is normal in the software and hardware industry, the Group may experience delays in the development, introduction and marketing of new or enhanced products. Any significant delays in product development or introduction could have a material adverse effect on the Group's business, financial condition and results of operations. Further, any failure by the Group to anticipate or respond adequately to changes in technology and customer preferences could have a material adverse effect on the Group's business, financial condition and results of operations.

Profitability depends on the success and market acceptance of current and new products

The success of the Group will depend on the market's acceptance and valuing of its products and their benefits and there can be no guarantee that this acceptance will be forthcoming or that the Group's

technologies will succeed as an alternative to other new products. The development of a market for new products is affected by many factors, some of which are beyond the Group's control, including the emergence of newer, more successful technologies and products and the cost of the Group's products themselves. Notwithstanding the technical merits of a product developed by the Group, there can be no guarantee that the Group's targeted customer base for the product will purchase or continue to purchase the product. If a market fails to develop or develops more slowly than anticipated, the Group may be unable to recover the losses it may have incurred in the development of its products and may never achieve profitability. In addition, the Directors cannot guarantee that the Group will continue to develop, manufacture or market its products if market conditions do not support the continuation of such product.

The business of the Group exposes it to potential product liability risks

The business of the Group may expose it to potential product liability risks which are inherent in the research, development, manufacturing, marketing, sale and use of its products and future products. The Group has never had any product liability claims in the past and will adopt a product liability insurance policy on Admission. In addition, following Admission, the Group intends to adopt standard terms and conditions which expressly limit liability, which has not been the case in the past. While the Directors believe that the policy to be adopted will provide levels of coverage sufficient for its current products, there can also be no assurance that the level of insurance carried, on Admission or in the future, will be adequate to cover the financial damages resulting from a product liability claim or judgement. Any product liability claim or judgement which exceeds the Group's insurance coverage limits or contractual limits on liability could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

Insurance coverage is increasingly expensive and the Group may not have and it may not be able to maintain adequate protection against potential liabilities. If the Group is unable to maintain insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to significant liabilities, which may materially and adversely affect its business and financial position.

Any failure of physical infrastructure or services of the Group could lead to significant costs and disruptions that could reduce revenues, harm the Group's reputation and have a material adverse effect on financial results

The Group's business is dependent on its IT infrastructure. Service interruptions and equipment failures may expose the Group to financial loss and damage its reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's IT infrastructure is subject to failure from a variety of causes largely outside the Group's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunications provided by the Group, physical or electronic security breaches, as well as factors outside the Group's control, such as sabotage, vandalism, system failures of network service providers, fire, earthquake, volcanic ash, flood and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Group, improper building maintenance by the landlords of the buildings in which the IT infrastructure is located and terrorism.

The Group may experience accelerated demand for its products and services

The Group expects to be able to meet its current capital expenditures from internal resources, debt facilities and the net proceeds of the Placing. In the event that the Group wins a large order for its devices then the Group may consider supporting the working capital requirements for such order(s) by way of an issue of new equity or debt finance or a combination of both. If the Group is unable to raise the necessary financing it could adversely affect the Group's ability to expand its business.

The Group could be subject to increased operating costs, as well as claims, litigation or other potential liabilities, in connection with the security and control of the Group's systems and the personal data of users

The Group relies on systems and personnel in the Group's locations to physically secure IT infrastructure and user data. Any accidental or intentional actions, including computer viruses and unauthorised access, as well as other disruptions could result in increased operating costs or claims. The Group may incur

significant additional costs to protect against such disruptions, the threat of security breaches (whether physical or electronic) or to alleviate problems caused by such interruptions or breaches.

A party who is able to breach the physical premises and/or electronic security measures of the Group's systems could damage the Group's equipment and/or misappropriate either its proprietary information or the personal information of the Group's users and cause interruptions or malfunctions in its operations. If a third party were able to misappropriate data held on the Group's system then the Group could be subject to claims, litigation or other potential liabilities. Whilst security remains one of the Group's highest priorities, there can be no certainty that the security of its systems will not be breached and the information of the Group's clients and customers put at risk. Any security breach (whether physical or electronic) could have a serious effect on the Group's reputation and could lead to a loss of customers, and/or existing customers seeking to claim damages. This could have a material adverse effect on the Group's business, financial condition and result of operations or future growth.

The Group's competitors may take actions which adversely affect its revenues, profits or financial condition

The Group operates within competitive markets, particularly in the vehicle tracking industry. The Board believes that it has adopted a competitive business strategy. The Directors believe that this strategy ensures the Group maintains its competitive position in the markets in which it operates. However, the Group's business, results, operations and financial condition could be materially adversely affected by the actions of its competitors (including their marketing strategies and product and services development).

The Group's competitors could have greater financial resources or experience in particular sectors or markets where the Company intends to offer services. If the Group is not able to compete successfully against existing or future competitors, its competitive position, business, financial condition and results of operations may be adversely affected.

In addition, new competitive products, designs or solutions may enter the market with different benefits or using different technologies, making them equally or more attractive than the Group's reference designs. Competitors may also be able to devote greater resources to the promotion and sale of their products, designs or solutions than the Group, which would give them a competitive advantage.

Expansion risk

In order to address the potential growth in demand for the Group's products, the Company must manage the resultant expansion of the Group effectively. The successful expansion of the Group will depend on a number of factors including its ability to secure working capital, recruit new staff or management and its HR and training capacity. In addition, there is a risk that if the Group is not able to increase its R&D and production capacity, including logistics and supply chain, to meet demand, the Company may fail to meet its sales targets. Although the Company does not anticipate any significant problems in relation to these areas, any delay or inability to address these factors may inhibit the Group's growth and therefore its ability to meet demand for its products.

Research and development risk

The Company places a high focus on R&D initiatives and continuously strives to develop better and more efficient security tracking systems. However, R&D typically involves high cost of capital and there is no guarantee that commercially viable systems will be developed or that these investments will translate to higher prices or increased demand. In such an event, costs can escalate and the Group's financial resources can be adversely affected.

Technological risks

Starcom operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function in the market or render the patents on which it relies redundant. Staying abreast of technological changes may require substantial investment. Starcom's existing tracking designs may become obsolete or may be superseded by new technologies or changes in customer or end-user requirements.

Dependence on supply by third parties

Starcom's business depends on the provision by third parties of the components to the Group's products. If there is any interruption to the products provided by those third parties or those products are not as scalable as anticipated or at all, or there are problems maintaining quality standards and delivering product to specification, or there are problems in upgrading such products, Starcom's business will be adversely affected, and the Company may be unable to find adequate replacement services on a timely basis, or at all.

Country risk

To date a large number of Starcom's sales have come in developing countries. Were there to be any economic or political instability in one or more of the countries where Starcom has historically sold its products it could have a negative impact on the Company's sales in those countries. The Directors believe this risk is mitigated by the fact that the Company has had sales in over 50 countries and is not currently dependent on any one region.

In addition, Starcom's operations and senior management are located principally in Israel. Israel has recently experienced and faces an ongoing risk of military activity in the surrounding regions. Whilst the majority of business occurs outside of Israel and the majority of the Company's services could be managed remotely, in the event of a war in the region, it could have a material adverse effect on the operations of the Group or a perceived adverse effect which could in turn be detrimental to the Company's share price.

Currency fluctuations

The US Dollar is the Company's functional currency. However, the Group operates in numerous jurisdictions which could give rise to generating revenues, expenses and liabilities in currencies other than US Dollars. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to any of these currencies. The Company has not hedged any exchange rate risk and, in particular, conversion of the proceeds of the Placing into US Dollars may result in a reduction of the value of an investor's subscription. The Group's financial statements are presented in US Dollars, being the currency in which the majority of its transactions are denominated.

In order to be successful in the future, the Group must continue to respond promptly and effectively to the challenges of technological change and competitors' innovations. If the Group is unable to compete successfully with existing or new competitors, it may have to reduce prices on products, which would lead to reduced profits.

Litigation

Legal proceedings, with or without merit, may arise from time to time in the course of the Group's business, including in connection with the intellectual property rights. Other than as detailed in paragraph 19.2 of Part VI of this document the Directors cannot preclude litigation being brought against any member of the Group and any litigation brought against any member of the Group could have a material adverse effect on the financial condition, results or operations of the Group. The Company's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

Force Majeure

The Company's proposed projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Investment Risks

Ability to secure future financing

The Group expects to raise funds in the future to raise further working or development capital for progression of its existing business or for investment in new potential business streams as well as for working capital. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as

the price paid by a current investor, or higher. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an adviser authorised under FSMA, who specialises in investments of this nature before making their decision to invest.

General economic conditions

Market conditions may affect the ultimate value of the Group's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks or changes in governmental legislation or policy.

Taxation

Any change in the Group's tax status or the tax applicable to a holding of Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. It should be noted that the information contained in paragraphs 13 and 14 of Part VI of this document relating to the taxation of the Group and its investors is based upon current tax law and practice which is subject to legislative change and damages in practice.

AIM Market Risks

Trading on AIM

An investment in shares traded on AIM is generally perceived to involve a higher degree of risk and be less liquid than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Group's securities cannot be guaranteed. Consequently, it may be more difficult for an investor to sell his or her Ordinary Shares than it would be if the Ordinary Shares were listed on the Official List, and he or she may receive less than the amount paid. It is also possible that an active trading market may not develop and continue upon completion of the Admission. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the initial price on Admission.

Ordinary Shares pricing risks

The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the quoted investment sector or investment or quoted companies generally and which are outside the Group's control. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares, legislative changes, general economic, political or regulatory conditions, or changes in market sentiment towards the Ordinary Shares. Any of these events could result in a material decline in the market price of the Ordinary Shares.

Limited regulatory control

Shareholders will not enjoy protections or rights other than those reflected in the Articles and those rights conferred by law. Although the Directors recognise the importance of good corporate governance, neither the Listing Rules of the UK Listing Authority nor the UK Corporate Governance Code will apply to the Group.

Lack of liquidity of the Group's Ordinary Shares

Although the Group has applied for the Ordinary Shares to be admitted to trading on AIM, no assurance can be given that at any time after Admission a liquid market for the Ordinary Shares will develop. Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the net asset value per share.

Takeover Protection

The Takeover Code is not expected to apply to the Company immediately following Admission on the basis that the Company's place of central management and control is not expected to be in the British Islands.

Any takeover offer for the Company or consolidation of control in the Company will not, therefore, be regulated by the Takeover Code or any other takeover regime.

Although the Articles contain certain limited takeover protections (summarised in paragraph 5.30 of Part VI of this document) in such circumstances, they do not provide the full protections afforded by the Takeover Code.

In July 2012, the Takeover Panel published a PCP in relation to companies subject to the Takeover Code. The main change proposed in the PCP was the removal from the Takeover Code of the “residency test” that currently applies inter alia to UK companies whose shares are quoted on AIM. If this proposal were to be implemented, the Directors consider that the Company, which may not currently be subject to the Takeover Code, will fall under its jurisdiction, for the reasons explained in the PCP. The consultation closed on 28 September 2012 and the Takeover Panel’s response and decision is currently pending.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

The risk factors listed above do not necessarily comprise all those associated with an investment in the Company.

PART III

SECTION A

HISTORIC FINANCIAL INFORMATION ON STARCOM PLC

Accountant's Report on the Historic Financial Information of Starcom plc

LITTLEJOHN

The Directors
Starcom Plc
13-14 Esplanade
St Helier
Jersey JE1 1BD

The Directors
Northland Capital Partners Limited
60 Gresham Street
London EC2V 7BB

19 February 2013

Dear Sirs

Introduction

We report on the historic financial information set out in Section B of Part III (the "Financial Information") relating to Starcom plc ("the Company"). This information has been prepared for inclusion in the AIM admission document dated 19 February 2013 (the "Admission Document") relating to the proposed admission to AIM of Starcom Plc and on the basis of the accounting policies set out in note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and

whether the accounting policies are appropriate to the Company and consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purpose of the Admission Document, a true and fair view of the state of affairs of Starcom Plc as at the date stated and of its results, cash flows and changes in equity for the period then ended in accordance with the applicable financial reporting framework and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Littlejohn LLP

Chartered Accountants

PART III
SECTION B

HISTORIC FINANCIAL INFORMATION ON STARCOM PLC

STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 31 December 2012 is stated below:

Assets

Current assets

	<i>Note</i>	\$
Cash and cash equivalents		—
Total assets		<u>—</u>

Equity and liabilities

Capital and reserves

Share capital	4	—
Total equity attributable to equity holders		—
Total liabilities		<u>—</u>
Total equity and liabilities		<u>—</u>

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of the Company for the period from incorporation on 28 November 2012 to 31 December 2012 is stated below:

Total comprehensive income attributable to equity owner

Earnings per share		—
Basic and diluted (\$ per share)	3	<u>—</u>

STATEMENT OF CHANGE IN EQUITY

The statements of changes in equity of the Company for period from incorporation on 28 November 2012 to 31 December 2012 are set out below:

	<i>Share capital</i>	\$
On incorporation		—*
Result for the period		<u>—</u>
As at 31 December 2012		<u>—*</u>

The share capital comprises the ordinary issued share capital of the Company.

*Issued share capital was nil, being two shares of no par value

STATEMENT OF CASH FLOWS

The statement of cash flows of the Company for the period from incorporation on 28 November 2012 to 31 December 2012 is as follows;

Financing activities	\$
Proceeds from issue of share capital	—
Net cash from financing activities	—
Net increase in cash and cash equivalents	—
Cash and cash equivalents at end of period	—

NOTES TO THE FINANCIAL INFORMATION

1. General Information

The Company was incorporated on the 28 November 2012. The Company did not trade during the period under review and the registered office is at 13-14 Esplanade, St. Helier, Jersey JE1 1BD. The nature of the Company's operations and its principal activities are to act as the holding company of a group engaged in manufacturing and distribution of electronic products.

2. Accounting Policies

Basis of preparation

This financial information of the Company has been prepared on a historical basis as varied by the use of fair value in accordance with IFRS, International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

The financial information of the Company is presented in United States of America dollars ("\$").

Standards and interpretations issued but not yet applied

At the date of authorisation of this financial information, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date.

IAS 19 Amendment – Employee Benefits
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRS 1 Amendments – Government loans
IFRS 7 and IAS 32 Offsetting financial assets and financial liabilities
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement

The impact of these new and revised standards are unlikely to have a material impact on the Company.

Financial Assets and Liabilities

Financial assets and liabilities comprise of cash at banks and trade payables arising in the normal course of business.

The fair value of financial assets and liabilities are not considered to be materially different to the bank value and they are all held at amortised cost.

Financial assets and liabilities are accounted for as follows:

Financial assets and liabilities are initially recognised on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Comparative figures

No comparative figures have been presented as the financial information covers the period from incorporation to 31 December 2012.

Cash and cash equivalents

The Company considers any cash on short-term deposits and other short term investments to be cash equivalents.

Share capital

Equity comprises the following:

- “Share premium” represents the Premium paid on Shares issued of no par value;
- “Shares to be issued” represents the value of the premium on Shares allocated for which the consideration is received, or is receivable, but are not allotted; and
- “Retained earnings” represents retained profits or losses.

Risk Management

The Directors consider the key risk for the Company at the period end to be the successful acquisition of its trading subsidiaries as further explained in note 5 and the Company’s admission to AIM and related issue of Placing Shares. With this in mind, the Company has treasury controls in place which ensure that the Company’s liquid reserves are kept as cash only and are only deposited at institutions with at least an A credit rating.

Critical Accounting Estimates and Judgements

Use of Estimates and Judgements

The preparation of the Financial Information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The only critical assumption which is relevant to the Company at this stage is that it will complete its acquisition of its proposed trading subsidiaries as further explained in note 5 together with the Company’s admission to AIM and related issue of Placing Shares.

3. Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from incorporation on 28 November 2012 to 31 December 2012 and is as follows:

	\$
Profit/(loss) attributable to equity holders	–
– Weighted average number of shares	2
Earnings/(loss) per share	–

*Weighted average number of shares was two shares.

4. Share capital

On 28 November 2012, the Company was incorporated and issued two subscriber shares of no par value.

5. Events after the reporting date

On 19 February 2013, the Company changed its name from Starcom Limited to Starcom plc.

On 19 February 2013, conditional on Admission to AIM of the new Placing Shares and the shares to be allotted in respect of the Acquisition the Company agreed to acquire the business, assets and liabilities of Starcom S.A. and the entire issued share capital of Starcom G.P.S. Systems Ltd.

6. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period under review.

7. Auditors

The Company has yet to pass the end of its first financial period and has therefore not presented any audited financial statements to its members.

PART III
SECTION C

**ACCOUNTANTS' REPORT ON COMBINED HISTORIC FINANCIAL INFORMATION OF
STARCOM GPS FOR THE THREE YEARS ENDED 31 DECEMBER 2011**

The following is the text of a report received from Littlejohn LLP, reporting accountants:

LITTLEJOHN

The Directors
Starcom plc
13-14 Esplanade
St Helier
Jersey JE1 1BD

The Directors
Northland Capital Partners Limited
60 Gresham Street
London EC2V 7BB

19 February 2013

Dear Sirs

Introduction

We report on the combined historic financial information set out in Section D of Part III (the "Combined Historic Financial Information") relating to Starcom G.P.S. Systems Limited and the business, assets and liabilities acquired by Starcom plc from Starcom Systems S.A. on an aggregated basis (together "Starcom GPS"). This information has been prepared for inclusion in the AIM admission document dated 19 February 2013 (the "Admission Document") relating to the proposed admission to AIM of Starcom plc and on the basis of the accounting policies set out in note 2 to the Combined Historic Financial Information. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of Starcom plc are responsible for preparing the Combined Historic Financial Information on the basis set out in the notes to the Combined Historic Financial Information and in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

It is our responsibility to form an opinion on the Combined Historic Financial Information as to whether the Combined Historic Financial Information give a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Combined Historic Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Combined Historic Financial Information and whether the accounting policies are appropriate to the entity's circumstances and are consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Combined Historic Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Combined Historic Financial Information gives, for the purpose of the Admission Document a true and fair view of the state of affairs of Starcom GPS as at 31 December 2009, 2010 and 2011 and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2(a) to the Combined Historic Financial Information and in accordance with IFRS as described in note 2(c) to the Combined Historic Financial Information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Littlejohn LLP

Chartered Accountants

PART III

SECTION D

COMBINED HISTORIC FINANCIAL INFORMATION OF STARCOM GPS FOR THE THREE YEARS ENDED 31 DECEMBER 2011

The Directors have prepared the Combined Historic Financial Information on the activities of Starcom G.P.S. Systems Limited and Starcom Systems S.A. for the financial years ended 31 December 2009, 2010 and 2011 on the basis set out in note 2(A) to the Combined Historic Financial Information, based on the individual financial statements of the entities and with adjustments made as necessary to translate the historical financial statements into IFRS, combine the financial information and present the Combined Historic Financial Information in United States dollars.

The Combined Historic Financial Information contained in this Part III, which has been prepared solely for the purposes of the Admission Document, does not constitute audited statutory accounts within the meaning of commercial law and statutes in the territories in which the entities are domiciled or operate.

The Directors are responsible for the Combined Historic Financial Information contained in this report and the contents of this Admission Document in which it is included.

The principal accounting policies are detailed in note 2(c) to the Combined Historic Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

U.S. Dollars in thousands

		31 December 2011	31 December 2010	31 December 2009
	Note			
ASSETS				
NON-CURRENT ASSETS:				
Long-term bank deposit	5	163	169	–
Income Tax Authorities		26	16	12
Property, plant and equipment, net	6	332	174	120
Intangible assets	7	1,097	529	–
Deferred tax asset	8b	199	199	–
Total Non-Current Assets		1,817	1,087	132
CURRENT ASSETS:				
Cash and cash equivalents		129	26	48
Short-term deposit		8	10	140
Trade receivables	3c	961	1,162	935
Shareholders	3a	11	92	–
Other receivables	3b	201	20	10
Inventories	4	912	339	518
Total Current Assets		2,222	1,649	1,651
TOTAL ASSETS		4,039	2,736	1,783
LIABILITIES AND EQUITY				
EQUITY	13	952	151	(508)
NON-CURRENT LIABILITIES:				
Long-term loans from banks	11a	542	522	328
Put option	11b	197	–	–
Total Non-Current Liabilities		739	522	328
CURRENT LIABILITIES:				
Short-term bank credit		–	270	194
Short-term loans from banks	9	244	119	144
Trade payables		2,002	1,583	1,551
Other payables	10	102	91	34
Shareholders		–	–	40
Total Current Liabilities		2,348	2,063	1,963
TOTAL LIABILITIES AND EQUITY		4,039	2,736	1,783

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

U.S. Dollars in thousands

		Year Ended 31 December		
	Note	2011	2010	2009
Revenues		5,575	5,327	5,153
Cost of sales	14	(2,708)	(2,947)	(3,159)
Gross profit		2,867	2,380	1,994
Operating expenses:				
Research and development		(18)	(27)	(826)
Selling and marketing		(402)	(250)	(269)
General and administrative	15	(1,525)	(1,326)	(919)
Operating profit (loss)		922	777	(20)
Finance income	16a	26	–	–
Finance costs	16b	(159)	(299)	(105)
Net finance costs		(133)	(299)	(105)
Profit/(loss) before income tax		789	478	(125)
Income tax	8b	–	199	(23)
Profit/(loss) for the year		789	677	(148)
Other comprehensive income/(loss)		–	–	–
Total comprehensive income/(loss) for the year		789	677	(148)
Earnings/(Losses) per share:				
Basic and diluted earnings/(losses) per share (in dollars)	17	\$789	\$678	\$(148)

The accompanying notes are an integral part of the Combined Historic Financial Information.

COMBINED STATEMENT OF CHANGES IN EQUITY

U.S. Dollars in thousands

	<i>Share Capital and Premium</i>	<i>Capital Reserve for Put Options</i>	<i>Accumulated Earnings</i>	<i>Total</i>
Balance as of 1 January 2009	—	—	(337)	(337)
Comprehensive loss for the year	—	—	(148)	(148)
Dividends distributed	—	—	(23)	(23)
Balance as of 1 January 2010	—	—	(508)	(508)
Comprehensive income for the year	—	—	677	677
Dividends distributed	—	—	(18)	(18)
Balance as of 31 December 2010	—	—	151	151
Receipt on account of shares to be issued (see Note 11b)	225	—	—	225
Put option	—	(197)	—	(197)
Dividends distributed	—	—	(16)	(16)
Total transactions with owners of Starcom GPS	225	(197)	(16)	12
Comprehensive income for the year	—	—	789	789
Balance as of 31 December 2011	225	(197)	924	952

The accompanying notes are an integral part of the Combined Historic Financial Information.

COMBINED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Year Ended 31 December 2011	Year Ended 31 December 2010	Year Ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(Loss) before income tax	789	478	(125)
Adjustments to reconcile profit (loss) to net cash from (used in) operating activities:			
Depreciation and amortization	105	20	19
Exchange rate differences regarding long-term loans	(51)	38	37
Income tax paid	–	–	(23)
Changes in assets and liabilities:			
Decrease (Increase) in inventories	(573)	179	(54)
Decrease (Increase) in trade receivables	201	(227)	(132)
Decrease (Increase) in other receivables	(181)	(10)	85
Decrease (Increase) in Income Tax Authorities	(10)	(4)	3
Increase in trade payables	419	32	87
Increase in other payables	11	57	96
Decrease in severance pay	–	–	(17)
Net cash provided from (used in) operating activities	710	563	(24)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(249)	(74)	(20)
Repayment from (proceeds to) shareholders	102	(132)	30
Decrease (Increase) in long-term bank deposits	6	(169)	–
Expenditures for intangible assets	(603)	(529)	–
Proceeds from sale of fixed assets	–	–	19
Decrease in short-term deposits	2	130	19
Net cash from (used in) investing activities	(742)	(774)	48
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from (repayment of) short-term bank credit, net	(270)	76	30
Short-term loan from a bank	40	–	–
Proceeds from receipt of long-term loans	312	554	42
Receipt on account of shares to be issued	225	–	–
Repayment of long-term loans	(156)	(423)	(31)
Dividends distributed	(16)	(18)	(23)
Net cash from financing activities	135	189	18
Increase (Decrease) in cash and cash equivalents	103	(22)	42
Cash and cash equivalents at the beginning of the year	26	48	6
Cash and cash equivalents at the end of the year	129	26	48
Appendix A – Additional Information			
Interest received during the year	5	–	–
Interest paid during the year	(154)	(114)	(83)

During the year ended 31 December 2011 Starcom GPS received a loan of \$225,000 which was converted into an equity investment of common stock (see Note 11B).

The accompanying notes are an integral part of the Combined Historic Financial Information.

NOTES TO THE COMBINED HISTORIC FINANCIAL INFORMATION

NOTE 1 – GENERAL INFORMATION

a. The Reporting Entity

1. Starcom plc (“the Company”) was incorporated in Jersey on November 28, 2012. Up until this date, operations were performed through Starcom Systems S.A., a Panamanian company controlled by the same shareholders as the Company.

Starcom Systems S.A. 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 marketing, distribution, research and development of GPS systems.

Starcom G.P.S. Systems Limited was incorporated in Israel on November 16, 2004 and 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 GPS systems.

Starcom GPS markets are located in the Americas, Europe, the Middle East and Africa (“EMEA”) and Asia Pacific (“APAC”). Starcom GPS distributes and sells its products through technology partners and independent dealers.

2. Address of the Company's registered office in Jersey is:
13-14 Esplanade, St Helier, Jersey JE1 1BD
3. Address of the official Company office in Israel of Starcom G.P.S. Systems Limited is:
33 Jabotinsky St., Migdal Hateomim 1, Ramat Gan, Israel

Definitions in these financial statements:

1. *International Financial Reporting Standards (“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. *Related party* – As determined by International Accounting Standard No. 24 in regard to related parties.

NOTE 2A – BASIS OF PREPARATION

a. Basis of preparation:

The Company's operations with effect from Admission are the continuation of the operations of Starcom Systems S.A., (including its holdings in Starcom G.P.S. Systems Limited). On 19 February 2013, Starcom Systems S.A. agreed to transfer all its operations, assets and liabilities to the Company for nominal consideration.

Since all the assets, liabilities and operations have been transferred from Starcom Systems S.A. to the Company, it is appropriate in this Combined Historic Financial Information to combine the relevant financial results of Starcom Systems S.A. and Starcom G.P.S. Systems Limited for the years ended 31 December, 2009, 2010 and 2011. The directors of the Company consider that, for the sole purpose of inclusion in this Admission Document, the Combined Historic Financial Information presented in this report, which has been extracted from the audited consolidated financial statements of Starcom Systems S.A., more fairly presents the financial position and financial performance of Starcom Systems S.A. and Starcom G.P.S. Systems Limited (together “Starcom GPS”).

The relevant data has been combined so that the results, net assets, share capital and accumulated earnings of Starcom Systems S.A. and Starcom G.P.S. Systems Limited are aggregated, with intercompany balances and transactions eliminated.

b. Declaration in regard to implementation of International Financial Reporting Standards (IFRS)

The Combined Historic Financial Information has been prepared in accordance with IFRS and related clarifications published by the IASB.

c. Basis of Measurement

The Combined Historic Financial Information has been prepared on the historical cost basis except for financial instruments at fair value through profit or loss that are stated at fair value.

d. Operating Period

The ordinary operating period is a year. As a result, current assets and current liabilities include items that are expected and intended to be realized at the end of the ordinary operating period.

e. Functional and Presentation Currency

The Combined Historic Financial Information is presented in U.S. dollars ("dollars" or "\$") that is the functional currency of the Company and Starcom GPS and is rounded to the nearest thousand, except when otherwise indicated.

The dollar is the currency that represents the economic environment in which Starcom GPS operates.

Starcom GPS transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been re-measured to dollars. All transaction gains and losses from re-measurement of monetary assets and liabilities denominated in non-dollar currencies are reflected in the statements of comprehensive income as financial income or expenses, as appropriate.

NOTE 2B – USE OF ESTIMATES AND JUDGMENTS

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

Upon formulation of accounting estimates used in preparation of these Combined Historic Financial Information, management is required to make assumptions in regard to circumstances and events that are significantly uncertain. Management arrives at these decisions based on prior experiences, various facts, external items and reasonable assumptions in accordance with the circumstances related to each assumption.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgment in applying accounting policies that have a significant effect on the amounts recognized in the Combined Historic Financial Information is included in the following Notes:

Note 7 – Capitalization of development costs and amortization of these costs.

Note 7 – Calculation of amortization

Note 8 – Utilization of tax losses

NOTE 2C – SIGNIFICANT ACCOUNTING POLICIES

a. Basis of combination

All intra-group transactions, balances, income and expenses of the companies are eliminated on combination.

See also Note 2Aa.

b. Foreign currency and linkage basis

Balances stated in foreign currency or linked to a foreign currency have been included in the Combined Historic Financial Information according to the prevailing representative exchange rates at the balance sheet date. Balances linked to the Consumer Price Index in Israel are included in accordance with the Index published prior to balance sheet date (November 2011 Index). Linkage and exchange rate differences are included in the statement of comprehensive income when incurred.

	31 December		
	2011	2010	2009
CPI (in points) *	120.4	117.4	114.8
Exchange Rate of U.S.\$ in ILS	3.821	3.549	3.775

	Year Ended 31 December,		
	2011	2010	2009
Change in CPI	2.56%	2.26%	3.92%
Change in Exchange Rate of U.S.\$	7.66%	(5.99%)	(0.71%)

* Base Index 2002 = 100.

c. Financial instruments

(i) Non-derivative financial assets

Starcom GPS initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that Starcom GPS becomes a party to the contractual provisions of the instrument.

Starcom GPS derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by Starcom GPS is recognized as separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Starcom GPS has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Starcom GPS classified non-derivative financial assets into the following categories: Financial assets at fair value, through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss:

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if Starcom GPS manages such investments and makes purchase and sale decisions based on their fair value in accordance with Starcom GPS's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value

and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets:

If Starcom GPS has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debentures.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

(ii) *Non-derivative financial liabilities*

Starcom GPS initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that Starcom GPS becomes a party to the contractual provisions of the instrument.

Starcom GPS derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Starcom GPS classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

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 Starcom GPS in the management of its short-term commitments.

e. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Shares to be issued represent the nominal value and value of the premium on shares allocated for which the consideration has been received, or is receivable, but not allotted.

f. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and software	33
Office furniture and equipment	7 – 15
Vehicles	15
Laboratory equipment	15

Leasehold improvements are depreciated by the straight-line method over the term of the lease, ten year period, (including option terms) or the estimated useful lives of the improvements, unless it is reasonably certain that Starcom GPS will obtain ownership by the end of the lease term.

At each balance sheet date, Starcom GPS examines the residual value, the useful life and the depreciation method it uses. If Starcom GPS identifies material changes in the expected residual value, the useful life or the future pattern of consumption of future economic benefits in the asset that may indicate that a change in the depreciation is required, such changes are treated as changes in accounting estimates. In the reported periods, no material changes have taken place with any material effect on the financial statements of Starcom GPS.

g. Intangible assets: Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if developments costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Starcom GPS intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets: ten years.

At each balance sheet date, Starcom GPS reviews whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of the intangible assets. When such indicators of impairment are present, Starcom GPS evaluates whether the carrying value of the intangible asset in the financial statements can be recovered from the cash flows anticipated from that asset, and, if necessary, records an impairment provision up to the amount needed to adjust the carrying amount to the recoverable amount.

h. Short-term deposit

Deposits with maturities of more than three months but less than one year are included in short-term deposits.

i. Leases

(1) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(2) Determining whether an arrangement contains a lease

At inception of an arrangement, Starcom GPS determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement Starcom GPS separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If Starcom GPS concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using Starcom GPS's incremental rate.

j. Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the "first-in, first-out" method.

Inventory write-downs are provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories, and discontinued products and for market prices lower than cost, if any. At the point of loss recognition, a new lower cost basis for that inventory is established.

k. Impairment in value of assets

During every financial period, Starcom GPS examines the book value of its tangible assets to determine any signs of loss from impairment in value of these assets. In the event that there are signs of impairment, Starcom GPS examines the realization value of the designated asset. In the event that the realization cannot be measured for an individual asset, Starcom GPS estimates realization value for the unit where the asset belongs. Joint assets are assigned to the units yielding cash on the same basis. Joint assets are designated to the smallest groups of yielding assets for which one can identify a reasonable basis that is consistent to the allocation.

The realization value is the higher of net sale price of the asset as compared with its useful life that is determined by the present value of projected cash flows to be realized from this asset and its realization value at the end of its useful life.

In the event that the book value of the asset or cash-yielding unit is greater than its realization value, a devaluation of the asset has occurred in the amount of the difference between its book value and its realization value. This amount is recognized immediately in the statements of comprehensive income.

In the event that prior devaluation of an asset is nullified, the book value of the asset or of the cash-yielding unit is increased to the estimated current fair value, but not in excess of the asset or cash-yielding unit book value that would have existed had there not been devaluation. Such nullification is recognized immediately in the statements of comprehensive income.

l. Put Option

Starcom GPS classifies in the long term liabilities category the Put Option liability for reacquisition of shares to be issued. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

m. Revenue recognition

Starcom GPS generates revenues from sales of products, which include hardware and software, software licensing, professional services and maintenance. Professional services include mainly installation, project management, customization, consulting and training. Starcom GPS sells its products indirectly through a global network of distributors, system integrators and strategic partners, all of whom are considered end-users.

Revenue from products and software licensing is recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable and collectability is probable.

Revenues from maintenance and professional services are recognized ratably over the contractual period or as services are performed, respectively.

n. Allowance for doubtful accounts

Starcom GPS evaluates its allowance for doubtful accounts on a regular basis through periodic reviews of the collectability of the receivables in light of historical experience, adverse situations that may affect the repayment abilities of its customers, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Starcom GPS performs ongoing credit evaluations of its customers and generally does not require collateral because (1) management believes it has certain collection measures in-place to limit the potential for significant losses, and (2) because of the nature of its customers that comprise Starcom GPS's customer base. Receivables are written off when Starcom GPS abandons its collection efforts. An allowance for doubtful accounts is provided with respect to those amounts that Starcom GPS has determined to be doubtful of collection.

o. Concentrations of credit risk

Financial instruments that potentially subject Starcom GPS to concentrations of credit risk consist principally of cash and cash equivalents, short-term deposits and trade receivables.

p. Provisions

Provisions are recognized when Starcom GPS has a current obligation (legal or derived) as a result of a past occurrence that can be reliably measured, that will in all probability result in Starcom GPS being required to provide additional benefits in order to settle this obligation. Provisions are determined by capitalization of projected cash flows at a rate prior to taxes that reflects the current market preparation for the money duration and the specific risks for the liability.

q. Employee benefits

Starcom GPS has several benefit plans for its employees:

1. Short-term employee benefits

Short-term employee benefits include salaries, vacation days, recreation and deposits to the National Insurance Institute that are recognized as expenses when rendered.

2. Benefits upon retirement

Benefits upon retirement generally funded by deposits to insurance companies and pension funds are classified as restricted deposit plans or as restricted benefits.

All Starcom GPS employees have restricted deposit plans, in accordance with Section 14 of the Severance Pay Law (Israel), whereby Starcom GPS pays fixed amounts without bearing any legal responsibility to pay additional amounts thereto even if the fund did not accumulate enough amounts to pay the entire benefit amount to the employee that relates to the services he rendered during the current and prior periods. Deposits to the restricted plan are classified as for benefits or for compensation, and are recognized as an expense upon deposit to the plan concurrent with receiving services from the employee and no additional provision is required in the financial statements.

r. Finance income and costs

Finance income includes interest in regard to invested amounts, changes in the fair value of financial assets presented at fair value in the statements of comprehensive income and gains from changes in the exchange rates and interest income that are recognized upon accrual using the effective interest method.

Finance costs include interest on loans received, changes in the time estimate of provisions, changes in the fair value of financial assets presented at fair value in the statements of comprehensive loss and losses from changes in value of financial assets.

Gains and losses from exchange rate differences are reported net. Exchange rate differences in regard to issuance of shares are charged to equity.

s. Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which

they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

t. Basic and Diluted Earnings (Losses) per Share

Basic earnings (losses) per share is computed based on the weighted average number of common shares outstanding during each year.

Diluted earnings (losses) per share is computed based on the weighted average number of common shares outstanding during each year, plus dilutive potential ordinary shares considered outstanding during the year.

u. Statement of cash flows

The statement of cash flows from current operations is presented using the indirect method, whereby interest amounts paid and received by Starcom GPS are included in the cash flows in current operations.

v. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in Starcom GPS's financial statements in the period in which the dividends are approved by shareholders.

w. Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax.

x IFRS 7, Financial Instruments: Disclosure

Amendment to IFRS 7 clarifies the disclosure requirements as stated in the Standard. In this framework, emphasis is placed on the connection between quantitative disclosures and qualitative disclosures as well as the characteristics and scope of risks deriving from financial instruments. Concurrently, in the framework of the Amendment, the disclosure requirements were curtailed in regard to securities held by Starcom GPS and disclosure requirements were amended in regard to credit risk. The amendment was retroactively implemented.

Commencing 1 January, 2011, Starcom GPS implements IAS 24 (2009), Disclosures in regard to a related party. The Standard includes changes in definition of a related party as well as changes in regard to necessary disclosures by government related entities. The Standard was retroactively implemented.

Implementation of the abovementioned did not have a significant effect on Starcom GPS Combined Historic Financial Information.

y. New Amendments and Interpretations not yet Adopted

New and amended Standards and interpretations mandatory for the first time for the financial year commencing 1 January 2011 but not currently relevant to Starcom GPS:

An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relieved first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7). This amendment was effective for periods beginning on or after 1 July 2010.

Amendments to IAS 32 "Financial Instruments: Presentation" addressed the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments were effective for periods beginning on or after 1 February 2010.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” clarified the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. This interpretation was effective for periods beginning on or after 1 July 2010.

An amendment to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permitted such an entity to treat the benefit of such an early payment as an asset. This amendment was effective for periods beginning on or after 1 January 2011.

New Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted:

IFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. This Standard is effective for periods beginning on or after 1 January 2013.

IFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The Standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This Standard is effective for periods beginning on or after 1 January 2013.

IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This Standard is effective for periods beginning on or after 1 January 2013.

IFRS 13, “Measurement of Fair Value” (hereinafter: “the Standard”)

This Standard replaces the guidelines for measuring fair value that have appeared in other IFRS Standards, and thereby constitutes the ultimate source for proper measurement of fair value in accordance with IFRS regulations. The Standard defines fair value, establishes a framework of guidelines for measurement of fair value, and determines requirements in this regard. The Standard does not set any new requirements for measurement of assets or liabilities at fair value.

The Standard applies to assets, liabilities and equity instruments of the entity that are required to be measured or that may be measured at fair value or that disclosure was rendered in their regard as to fair value in accordance with relevant IFRS regulations. Concurrently, the Standard will not be applicable to share-based payment transactions that are included in IFRS 2, other share-based payments, leasing transactions included in IFRS 17 and other leasings. Concurrently, the Standard will not apply to measurements resembling but not truly measurements of fair value, such as net realization value of inventories, measurement of usability in accordance with IAS 36, and impairment of assets.

The Standard will be applicable to annual periods commencing 1 January 2013. Earlier implementation is possible, subject to proper disclosure. The Standard will apply prospectively when disclosure requirements do not apply to comparative figures for prior periods upon initial implementation of the Standard.

Amendments to IFRS 7 “Financial Instruments: Disclosures” require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognized financial assets and recognized financial liabilities, on the entity’s financial position. These amendments are effective for periods beginning on or after 1 January 2013.

Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. Early application continues to be permitted. The amendments also require additional disclosures on transition from IAS 39 “Financial Instruments: Recognition and Measurement” to IFRS 9.

Amendments to IAS 1 “Presentation of Financial Statements” require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. These amendments are effective for periods beginning on or after 1 July 2012.

Amendments to IAS 19 “Employment Benefits” eliminate the option to defer the recognition of gains and losses, known as the “corridor method”; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. These amendments are effective for periods beginning on or after 1 January 2013.

IAS 27 “Separate Financial Statements: Replaces the current version of IAS 27, “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (abovementioned). This revised Standard is effective for periods beginning on or after 1 January 2013.

IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see above). This revised standard is effective for periods beginning on or after 1 January 2013.

Amendments to IAS 32 “Financial Instruments: Presentation” add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for periods beginning on or after 1 January, 2014.

“Annual Improvements 2009-2011 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- An amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” clarifies whether an entity may apply IFRS 1:
 - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
 - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRS in a previous reporting period when IFRS 1 did not exist.

The amendment also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalization was before the date of transition to IFRSs.

- An amendment to IAS 1 “Presentation of Financial Statements” clarifies the requirements for providing comparative information:
 - (a) for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications; and
- An amendment to IAS 16 “Property, Plant and Equipment” addresses a perceived inconsistency in the classification requirements for servicing equipment.
- An amendment to IAS 32 “Financial Instruments: Presentation” addresses perceived inconsistencies between IAS 12 “Income Taxes” and IAS 32 with regard to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
- An amendment to IAS 34 “Interim Financial Reporting” clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

This applies to annual periods beginning on or after 1 January, 2013.

The impact on Starcom GPS's financial statements of the future Standards, amendments and interpretations is still under review, but Starcom GPS does not currently expect any of these changes to have a material impact on the results or the net assets of Starcom GPS.

NOTE 3A – SHAREHOLDERS

The balance is linked to the Israeli Consumer Price Index ("CPI") and bears a fixed annual interest at the rate of 4 per cent.

NOTE 3B – OTHER RECEIVABLES

	<i>2011</i>	<i>31 December 2010</i>	<i>2009</i>
Government institutions	89	20	10
Prepaid expenses	112	–	–
	<u>201</u>	<u>20</u>	<u>10</u>

NOTE 3C – TRADE RECEIVABLES

	<i>2011</i>	<i>31 December 2010</i>	<i>2009</i>
Receivables	993	1,167	935
Net of allowance for doubtful accounts	(32)	(5)	–
	<u>961</u>	<u>1,162</u>	<u>935</u>

NOTE 4 – INVENTORIES

	<i>2011</i>	<i>31 December 2010</i>	<i>2009</i>
Raw materials	770	222	449
Work-in-progress	95	110	6
Finished goods	47	7	63
	<u>912</u>	<u>339</u>	<u>518</u>

Inventory write-downs for 2010 were \$64,000 and have been included in cost of sales.

NOTE 5 – LONG-TERM BANK DEPOSIT

The deposit serves as a security deposit for repayment of a long-term bank loan. In accordance with terms of the loan, the deposit constitutes approximately 30 per cent. of the loan balance. The deposit bears monthly interest at the rate of 0.29 per cent.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT, NET

	<i>Computers and Software</i>	<i>Office Furniture and Equipment</i>	<i>Laboratory Equipment</i>	<i>Leasehold Improvements</i>	<i>Vehicles</i>	<i>Total</i>
Cost:						
Balance as of 1 January 2011	45	81	59	11	82	278
Additions during the year	29	10	7	28	175	249
Disposals	–	–	–	–	(82)	(82)
Balance as of 31 December 2011	<u>74</u>	<u>91</u>	<u>66</u>	<u>39</u>	<u>175</u>	<u>445</u>
Accumulated Depreciation:						
Balance as of 1 January 2011	21	16	3	3	61	104
Depreciation during the year	20	6	9	10	25	70
Disposals	–	–	–	–	(61)	(61)
Balance as of 31 December 2011	<u>41</u>	<u>22</u>	<u>12</u>	<u>13</u>	<u>25</u>	<u>113</u>
Net book value as of 31 December 2011	<u>33</u>	<u>69</u>	<u>54</u>	<u>26</u>	<u>150</u>	<u>332</u>

	<i>Computers and Software</i>	<i>Office Furniture and Equipment</i>	<i>Laboratory Equipment</i>	<i>Leasehold Improvements</i>	<i>Vehicles</i>	<i>Total</i>
Cost:						
Balance as of 1 January 2010	26	79	8	9	82	204
Additions during the year	<u>19</u>	<u>2</u>	<u>51</u>	<u>2</u>	<u>–</u>	<u>74</u>
Balance as of 31 December 2010	<u>45</u>	<u>81</u>	<u>59</u>	<u>11</u>	<u>82</u>	<u>278</u>
Accumulated Depreciation:						
Balance as of 1 January 2010	10	10	–	3	61	84
Depreciation during the year	<u>11</u>	<u>6</u>	<u>3</u>	<u>–</u>	<u>–</u>	<u>20</u>
Balance as of 31 December 2010	<u>21</u>	<u>16</u>	<u>3</u>	<u>3</u>	<u>61</u>	<u>104</u>
Net book value as of 31 December 2010	<u>24</u>	<u>65</u>	<u>56</u>	<u>8</u>	<u>21</u>	<u>174</u>

	<i>Computers and Software</i>	<i>Office Furniture and Equipment</i>	<i>Laboratory Equipment</i>	<i>Leasehold Improvements</i>	<i>Vehicles</i>	<i>Total</i>
Cost:						
Balance as of 1 January 2009	14	71	8	9	122	224
Additions during the year	12	8	–	–	–	20
Disposals during the year	–	–	–	–	(40)	(40)
Balance as of 31 December 2009	<u>26</u>	<u>79</u>	<u>8</u>	<u>9</u>	<u>82</u>	<u>204</u>
Accumulated Depreciation:						
Balance as of 1 January 2009	5	5	–	–	76	86
Depreciation during the year	5	5	–	3	6	19
Disposals during the year	–	–	–	–	(21)	(21)
Balance as of 31 December 2009	<u>10</u>	<u>10</u>	<u>–</u>	<u>3</u>	<u>61</u>	<u>84</u>
Net book value as of 31 December, 2009	<u>16</u>	<u>69</u>	<u>8</u>	<u>6</u>	<u>21</u>	<u>120</u>

NOTE 7 – INTANGIBLE ASSETS

a. Composition:

	<i>Cost of Materials (including overhead costs)</i>	<i>Direct Labour</i>	<i>Total</i>
Cost:			
Balance as of 1 January 2011	464	65	529
Additions during the year	<u>334</u>	<u>269</u>	<u>603</u>
Balance as of 31 December 2011	<u>798</u>	<u>334</u>	<u>1,132</u>
Accumulated Depreciation:			
Balance as of 1 January 2011	–	–	–
Depreciation during the year	<u>28</u>	<u>7</u>	<u>35</u>
Balance as of 31 December 2011	<u>28</u>	<u>7</u>	<u>35</u>
Net book value as of 31 December 2011	<u>770</u>	<u>327</u>	<u>1,097</u>

	<i>Cost of Materials (including overhead costs)</i>	<i>Direct Labour</i>	<i>Total</i>
Cost:			
Balance as of 1 January 2010	–	–	–
Additions during the year	464	65	529
Balance as of 31 December 2010	464	65	529
Accumulated Depreciation:			
Balance as of 1 January 2010	–	–	–
Depreciation during the year	–	–	–
Balance as of 31 December 2010	–	–	–
Net book value as of 31 December 2010	464	65	529

- b. Detail of remaining life of instruments as of 31 December, 2011:

<i>Instrument</i>	<i>Cost</i>	<i>Remaining Useful Life</i>
Set 1	536	9.75
Set 2	266	9.75
Set 3	298	10
Set 4	32	10
Total	1,132	

- c. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if developments costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets: ten years.

See also Note 2(C)(g).

NOTE 8 – TAXES ON INCOME

- a. Israeli taxation

Taxable income of the Starcom G.P.S. Systems Limited is subject to tax at the rate of 24 per cent., 25 per cent. and 26 per cent. for the years 2011, 2010 and 2009 respectively.

On 6 December 2011 an amendment was enacted, based on the recommendations of the Trachtenberg Committee regarding tax issues. Accordingly, commencing with 2012 there will be an increase in corporate tax to 25 per cent.

- b. As of 31 December 2011 Starcom G.P.S. Systems Limited had tax loss carry-forwards totaling \$383,000. In addition, Starcom G.P.S. Systems Limited had approximately \$447,000 research and development expense to carry forwards. These tax loss carry-forwards may be offset against taxable

income in the future. Based on projected earnings of Starcom G.P.S. Systems Limited in the forthcoming years, Starcom GPS recorded a deferred tax asset in the amount of \$199,000 as of 31 December 2011 and 2010 in regard to the entire amount of the carry-forward losses.

c. Detail of tax income (expense):

	<i>Year ended 31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Deferred taxes	–	199	–
Taxes for prior years	–	–	(23)
Current taxes	–	–	–
	<u>–</u>	<u>199</u>	<u>(23)</u>

d. Reconciliation of effective tax rate:

	<i>2011</i>	<i>2010</i>	<i>2009</i>
Profit (loss) before taxes	789	478	(125)
Starcom GPS's domestic tax rate	24%	25%	26%
Tax according to statutory rate	(189)	(120)	33
Increase (decrease) in income taxes derives from:			
Losses for which deferred taxes were not recognized	–	–	(90)
Fixed provisions and others	80	45	–
Deferred taxes for prior years	–	144	–
Tax exempt revenues (from Panama)	109	130	57
Taxes in regard to prior years	–	–	(23)
Total tax income (expense)	<u>–</u>	<u>199</u>	<u>(23)</u>

NOTE 9 – SHORT-TERM LOAN FROM BANKS

	<i>31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Short-term loan (1)	40	–	–
Current maturities of long-term loans	<u>204</u>	<u>119</u>	<u>144</u>
	<u>244</u>	<u>119</u>	<u>144</u>

- (1) In December 2011, Starcom G.P.S. Systems Limited received a bridge loan in the amount of 150,000 New Israel Shekels (approximately \$40,000) from a bank. Repayment date of the loan is February 2012.

NOTE 10 – OTHER PAYABLES

	<i>31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Employees and payroll accruals	78	76	9
Accrued expenses	<u>24</u>	<u>15</u>	<u>25</u>
	<u>102</u>	<u>91</u>	<u>34</u>

NOTE 11A – LONG-TERM LOANS FROM BANKS

1. Composition:

	2011	31 December 2010	2009
Long-term liability	746	641	472
Less: current maturities	(204)	(119)	(144)
	<u>542</u>	<u>522</u>	<u>328</u>

2. Aggregate maturities of long-term loans for years subsequent to 31 December, 2011 are as follows:

	<i>Amount</i>
First year	204
Second year	190
Third year	233
Fourth year and after	<u>119</u>
	<u>746</u>

3. Additional information regarding long-term loans:

<i>Loan #</i>	<i>Date Received</i>	<i>Amount Received ILS (U.S. dollars)</i>	<i>Annual Interest Rate</i>	<i>Loan Terms and Maturity Dates</i>	<i>Interest Payment Terms</i>
1.	18 December 2011	400 (\$107)	8.8%	36 equal monthly installments including principal and interest	Monthly commencing 17 January 2012
2.	11 May 2011	187 (\$54)	9.9%	An initial payment in the amount of NIS 40 on 30 June 2011 and the balance payable in equal monthly installments commencing 31 July 2011	Monthly on the principal repayment dates commencing 31 July 2011
3.	1 March 2011	288 (\$79)	Prime + 0.5%	One inclusive repayment on 1 February 2014	Monthly commencing 1 March, 2011
4.	19 January, 2011	256 (\$72)	Prime + 0.5%	36 equal monthly installments including principal and interest	Monthly commencing 1 March 2011
5.	13 December 2010	2,000 (\$554)	7%	54 equal monthly installments that commenced on 13 July 2011, including principal and interest	Monthly commencing 13 January 2011
6.	9 November 2009	200 (\$53)	7.2%	36 equal monthly installments including principal and interest	Monthly commencing 9 December 2009

NOTE 11B – PUT OPTION

On 30 December 2011 Starcom GPS entered in to an agreement with a lender whereby a loan amounting to \$225,000 would be converted into common stock of Starcom Systems S.A. Within the framework of this agreement the lender was given the option until July 2013 to put the shares back to the issuer for the original purchase price.

The options were recognized initially at fair value. Subsequent to initial recognition the financial liability will be measured at amortized cost using the effective interest method.

As at 31 December 2011 the common stock had not been issued and the converted loan of \$225,000 was treated as shares to be issued within equity. Subsequent to the year end this agreement was terminated, the loan repaid and the shares were never issued.

NOTE 12 – COMMITMENTS AND CHARGES

a. Operating lease commitments:

1. Starcom G.P.S. Systems Limited rents offices and signed operating leases commencing March 2011 for a period of five years with an option for five additional years. Rent expenses for the years ended 31 December, 2011 and 2010 were in the amounts of \$126,000 and \$69,000, respectively.

Total of future minimum lease payments under non-cancellable operating leases for each of the following periods as of 31 December, 2011:

Not later than one year	132
Later than one year and not later than five years	429
	<hr/>
	561
	<hr/>

2. Starcom G.P.S. Systems Limited signed operating leases for rental of vehicles for a period of 36 months. Rent expenses for the vehicles for the years ended 31 December, 2011 and 2010 were in the amounts of \$97,000 and \$57,000, respectively.

Total of future minimum lease payments under non-cancellable operating leases for each of the following periods as of 31 December, 2011:

Not later than one year	27
Later than one year and not later than four years	31
	<hr/>
	58
	<hr/>

b. Other commitments:

A cooperative agreement with Multilock Ltd. ("Multilock") for development and production of products for resale.

In order to produce the product, each side is obligated to sell to the counterpart their element of the product at a price equal to cost plus 15 per cent.

Cost is the cost of a completed product, including direct and indirect production costs but not including research and development costs or general and administrative expenses. The product is marketed under the logo Watchlock. Sales commenced in March 2012. Starcom GPS capitalized the research and development costs relevant to development of the system.

Price of the marketed system will be uniform and will be determined in advance by both parties. At the end of each quarter, differences arising from total net sales of the combined systems sold by both parties during the quarter and the cost of the combined systems during the quarter will be allocated equally between the parties (50 per cent. – 50 per cent.).

c. Charges:

1. A general charge in favor of a bank was placed on all the assets of Starcom G.P.S. Systems Limited.
2. A fixed charge in favor of banks was placed on deposits in the amounts of \$8,000, and NIS 30,000 (approximately \$8,000) including their earnings.
3. A charge in favor of a bank was placed on three vehicles.
4. A floating charge in favor of a lender – Top Alpha Ltd. was placed on all assets and share capital of Starcom G.P.S. Systems Limited.

NOTE 13 – SHARE CAPITAL OF STARCOM SYSTEMS S.A.

- a. Composition – common stock of \$ 0.01 par value, authorized – 1,000 shares; 999 issued – as of 31 December 2011, 2010 and 2009.
- b. A share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.
- c. Dividends

The following dividends were declared and paid:

<i>Year Ended 31 December</i>		
<i>2011</i>	<i>2010</i>	<i>2009</i>
16	18	23
<u>16</u>	<u>18</u>	<u>23</u>

SHARE CAPITAL OF STARCOM G.P.S. SYSTEMS LIMITED

- a. Composition – common stock of 1.00 ILS par value, authorized – 100 shares; 100 issued – as of 31 December 2011, 2010 and 2009.
- b. A share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.
- c. Dividends – no dividends were declared or paid.

NOTE 14 – COST OF SALES

	<i>Year Ended 31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Purchases	3,011	2,659	3,043
Outsourcing	252	78	95
Depreciation	18	—	—
Decrease (Increase) in inventory	(573)	210	21
	<u>2,708</u>	<u>2,947</u>	<u>3,159</u>

NOTE 15 – GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Year Ended 31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Salaries and related expenses	730	708	564
Depreciation	70	20	19
Doubtful accounts	27	5	–
Other	698	593	336
	<u>1,525</u>	<u>1,326</u>	<u>919</u>
Cost of defined contribution retirement plans	<u>125</u>	<u>100</u>	<u>76</u>
Average number of staff			
Sales and marketing	3	4	3
Research and development	4	3	1
Other	7	8	8
	<u>14</u>	<u>15</u>	<u>12</u>

NOTE 16A – FINANCE INCOME

	<i>Year Ended 31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Exchange rate differences	21	–	–
Interest from bank	5	–	–
	<u>26</u>	<u>–</u>	<u>–</u>

NOTE 16B – FINANCE COSTS

	<i>Year Ended 31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Interest to banks	63	79	39
Interest to suppliers	61	39	4
Exchange rate differences	–	139	22
Bank charges	35	42	40
	<u>(159)</u>	<u>(299)</u>	<u>(105)</u>
Finance income	<u>26</u>	<u>–</u>	<u>–</u>
Net finance costs	<u>(133)</u>	<u>(299)</u>	<u>(105)</u>

NOTE 17 – EARNINGS/(LOSSES) PER SHARE

Weighted average number of shares used in computing basic and diluted earnings/(losses) per share:

	<i>Year Ended 31 December</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Issued and to be issued ordinary shares	999	999	999

NOTE 18 – RELATED PARTIES

- a. The related parties that own the controlling shares are:

Mr. Avraham Hartman (33%), Mr. Uri Hartman (33%), Mr. Doron Kedem (33%).

- b. Balances:

	2011	31 December 2010	2009
Current transactions	<u>11</u>	<u>92</u>	<u>(39)</u>

- c. Transactions:

	2011	Year Ended 31 December 2010	2009
Key management compensation:			
Short-term employee benefits	192	141	147
Post-employment benefits	<u>23</u>	<u>21</u>	<u>28</u>
Total salaries and related expenses for shareholders	<u>215</u>	<u>162</u>	<u>175</u>

- d. Directors are each entitled to benefits, in addition to salaries, that include a vehicle, meals, cellular phones and a professional enrichment fund. Concurrently, Starcom GPS deposits for them amounts in a restricted benefit plan for implementation upon completion of their employment.

NOTE 19 – FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

a. Financial Risk Factors:

Starcom GPS's operations expose it to a variety of financial risks, including: market, currency, credit and liquidity risks. The comprehensive Starcom GPS plan for risk management focuses on the fact that it is not possible to predict financial market behavior and an effort to minimize possible negative effects on financial performance.

In this Note information is stated in regard to Starcom GPS exposure to each of the risks abovementioned and the handling of these risks. Risk management and capital are handled by management that identifies and evaluates financial risks.

(1) Exchange rate risk

Starcom GPS operations are exposed to exchange rate risks arising mainly from exposure of loans from banks, suppliers and others that are linked to the ILS.

(2) Credit risk

Credit risks are handled at Starcom GPS level. These risks arise from cash and cash equivalents, bank deposits and unpaid receivable balances. Cash and cash equivalent balances of Starcom GPS are deposited in an Israeli banking corporation. Starcom GPS management is of the opinion that there is insignificant credit risk regarding these amounts.

(3) Liquidity risks

Cautious management of liquidity risks requires that there be sufficient amounts of cash to finance operations. Management currently examines projections regarding liquidity surpluses deriving from cash and cash equivalents. This examination is based on projected cash flows, in accordance with procedures and limitations determined by Starcom GPS.

b. Linkage terms of financial instruments:

Starcom GPS exposure to index and foreign currency risks, based on par value, except for derivative financial instruments is as follows:

	31 December 2011					
	ILS		U.S. Dollar	Euro	Total	
	Unlinked	Linked	Variable Interest	Unlinked		
Financial Assets:						
Cash and Cash						
Equivalents	106	—	—	23	—	129
Short-term Deposit	8	—	—	—	—	8
Trade Receivables	30	—	—	838	93	961
Related Parties	—	11	—	—	—	11
Other Receivables	89	—	—	—	—	89
Long-term Bank						
Deposit	163	—	—	—	—	163
Financial Liabilities:						
Short-term Loans						
from Banks	(222)	—	(22)	—	—	(244)
Trade Payables	(1,729)	—	—	(273)	—	(2,002)
Other Payables	(64)	—	—	—	—	(64)
Long-term Loans						
From Banks	(439)	—	(103)	—	—	(542)
Put Option	—	—	—	(197)	—	(197)
	(2,058)	11	(125)	391	93	(1,688)

	31 December 2010				
	ILS		U.S. Dollar	Euro	Total
	Unlinked	Linked		Unlinked	
Financial Assets:					
Cash and Cash Equivalents	2	—	10	14	26
Short-term Deposit	10	—	—	—	10
Trade Receivables	29	—	1,058	75	1,162
Related Parties	—	92	—	—	92
Other Receivables	20	—	—	—	20
Long-term Bank Deposit	169	—	—	—	169
Financial Liabilities:					
Short-term bank credit	(270)	—	—	—	(270)
Short-term Loans from Banks	(119)	—	—	—	(119)
Trade Payables	(1,337)	—	(246)	—	(1,583)
Other Payables	(70)	—	—	—	(70)
Long-term Loans from Banks	(522)	—	—	—	(522)
	(2,088)	92	822	89	(1,085)

	31 December 2009				
	ILS		U.S. Dollar	Euro	Total
	Unlinked	Linked		Unlinked	
Financial Assets:					
Cash and Cash Equivalents	–	–	48	–	48
Short-term Deposit	–	–	95	45	140
Trade Receivables	3	–	771	161	935
Other Receivables	7	–	–	–	7
Financial Liabilities:					
Short-term bank credit	(194)	–	–	–	(194)
Short-term Loans from Banks	(144)	–	–	–	(144)
Related Parties	–	(40)	–	–	(40)
Other Payables	(933)	–	(609)	(9)	(1,551)
Other Current Liabilities	(17)	–	–	–	(17)
Long-term Loans from Banks	(328)	–	–	–	(328)
	<u>(1,606)</u>	<u>(40)</u>	<u>305</u>	<u>197</u>	<u>(1,144)</u>

c. Sensitivity tests in regard to changes in market conditions:

The U.S.\$ strengthening (weakening) against the New Israel Shekel (ILS) and an increase in the Consumer Price Index for the year ended 31 December, 2011, 2010 and 2009 would increase (decrease) the equity and comprehensive income in amounts detailed.

The following analysis is based on changes in the exchange rate, in the Consumer Price Index and in the Prime (Variable) Interest that, in the opinion of management, are reasonable as of the end of the reported period. This analysis was performed assuming that all other variables, mainly interest rates, would remain fixed.

Analysis of Sensitivity to Changes in the Exchange Rate of the U.S. Dollar Against the ILS:

	5% Increase in Exchange Rate	5% Decrease in Exchange Rate
For the Year Ended		
31 December		
2011	109	(109)
2010	100	(100)
2009	15	(15)

Analysis of Sensitivity to Changes in the Exchange Rate of the U.S. Dollar Against the Euro:

	5% Increase in Exchange Rate	5% Decrease in Exchange Rate
For the Year Ended		
31 December		
2011	5	(5)
2010	4	(4)
2009	10	(10)

Analysis of Sensitivity to Changes in the Consumer Price Index (CPI):

	5% Increase in CPI	5% Decrease in CPI
For the Year Ended		
31 December		
2011	1	(1)
2010	5	(5)
2009	(2)	2

Analysis of Sensitivity to Changes in the Prime (Variable) Interest:

	25% Increase in Prime (Variable) Interest	25% Decrease in Prime (Variable) Interest
For the Year Ended		
31 December		
2011	(2)	2
2010	—	—
2009	—	—

d. Fair value

Balance of financial obligations to shareholders (see Note 11B) is presented according to fair value, taking into account the benefit component given to shareholders.

NOTE 20 – CUSTOMERS AND GEOGRAPHIC INFORMATION

a. Major customers' data as a percentage of total sales to unaffiliated customers:

	Year Ended 31 December		
	2011	2010	2009
Customer A	4.8%	3.1%	9.3%
Customer B	16.2%	6.7%	3.6%

b. Breakdown of Combined Sales to unaffiliated customers according to geographic regions:

	Year Ended 31 December		
	2011	2010	2009
Latin America	49%	45%	27%
Europe	20%	9%	22%
Africa	12%	30%	34%
Asia	13%	7%	12%
Middle East	6%	9%	5%
Total	100%	100%	100%

c. As of 31 December 2011: \$1,147,000 of the combined depreciated assets are located in Israel and \$282,000 in Panama.

As of 31 December 2010: \$564,000 of the combined depreciated assets are located in Israel and \$139,000 in Panama.

As of 31 December 2009: \$115,000 of the combined depreciated assets are located in Israel and \$5,000 in Panama.

NOTE 21 – SEGMENTATION REPORTING

Starcom GPS has three main reportable segments, as detailed below:

Reported operating segments include: sets, accessory, web and other.

For each of the strategic divisions, Starcom GPS's CEO reviews internal management reports on at least a quarterly basis.

There are no inter-segment sales. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before financial expenses and tax is included in the internal management reports that are reviewed by Starcom GPS's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

Amounts presented in relation to assets are measured consistent with the manner of measurement in the Combined Historic Financial Information.

Segment information regarding the reported segments:

	<i>Sets</i>	<i>Web</i>	<i>Accessory</i>	<i>Other</i>	<i>Total</i>
Year Ended 31.12.2011:					
Segment revenues	3,719	1,582	205	69	5,575
Cost of sales	(2,554)	(29)	(125)	–	(2,708)
Gross profit	1,165	1,553	80	69	2,867
Operating expenses					(1,945)
Operating profit					922
Year Ended 31.12.2010:					
Segment revenues	3,846	1,117	172	192	5,327
Cost of sales	(2,830)	(35)	(82)	–	(2,947)
Gross profit	1,016	1,082	90	192	2,380
Operating expenses					(1,603)
Operating profit					777
Year Ended 31.12.2009:					
Segment revenues	3,902	778	173	300	5,153
Cost of sales	(3,053)	(15)	(91)	–	(3,159)
Gross profit	849	763	82	300	1,994
Operating expenses					(2,014)
Operating loss					(20)

NOTE 22 – EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- Subsequent to 31 December 2011 the agreement described in note 11B was terminated with proceeds being repaid together with an early repayment penalty of \$12,000.
- On 26 March 2012 Starcom Israel, Starcom Panama and others entered into a loan agreement with Hagshama. The terms of which included a loan of \$1 million and an investments of \$50,000 for up to 10 per cent. of the issued share capital of Starcom GPS Systems Ltd in various tranches.

NOTE 23 – AUDITORS

The financial statements presented to the members of Starcom Systems S.A. as prepared under Israeli General Accepted Accounting Principles in respect of the years ended:

- 31 December 2009 and were audited by UHY Shteinmatz Aminach, Tel-Aviv and carried an unqualified audit report. Shteinmatz Aminach address is 88 Yigal Alon Street, Tel-Aviv. UHY Shteinmatz Aminach are registered auditors in Israel licensed by the Israeli Accountancy Council;
- 31 December 2010 – no audited financial statements were presented to the members of Starcom Systems S.A.;
- 31 December 2011 were audited by Barzily & Co., Jerusalem, and carried an unqualified audit report. Barzily address is 19 Hartum Street, Har Hotzvim 97775, Israel. Barzily & Co are registered auditors in Israel licensed by the Israeli Accountancy Council.

Barzily & Co also audited the special purpose financial statements prepared under International Financial Reporting Standards for the three years ending 31 December 2011 on which the Combined Historic Financial Information is based. These financial statements carried an unqualified audit report issued by Barzily & Co. to the directors of Starcom plc.

PART IV

UNAUDITED INTERIM FINANCIAL INFORMATION ON STARCOM GPS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Directors have prepared the Combined Interim Financial Statements on the activities of Starcom G.P.S. Systems Limited and Starcom Systems S.A. for the six months ended 30 June 2012 on the basis set out in note 2(a) to the Combined Interim Financial Statements, based on the individual financial statements of the entities and with adjustments made as necessary to translate the historic financial statements into IFRS, combine the financial information and present the Combined Interim Financial Statements in United States dollars.

The Combined Interim Financial Statements contained in this Part IV, which have been prepared solely for the purposes of the Admission Document, are unaudited.

The Directors are responsible for the Combined Interim Financial Statements contained in this Part IV.

UNAUDITED COMBINED INTERIM STATEMENTS OF FINANCIAL POSITION

U.S. Dollars in thousands

	<i>Note</i>	<i>30 June 2012 Unaudited</i>	<i>2011 Unaudited</i>	<i>31 December 2011 Audited</i>
ASSETS				
NON-CURRENT ASSETS:				
Long-term bank deposit		43	176	163
Income Tax Authorities		28	23	26
Property, plant and equipment, net		310	373	332
Intangible assets	3	1,371	793	1,097
Deferred tax asset		250	199	199
Repurchase option	4a	89	–	–
Total Non-Current Assets		2,091	1,564	1,817
CURRENT ASSETS:				
Cash and cash equivalents		91	27	129
Short-term deposit		9	10	8
Trade receivables		2,249	991	961
Shareholders		46	23	11
Other receivables		108	33	201
Inventories		1,036	549	912
Total Current Assets		3,539	1,633	2,222
TOTAL ASSETS		5,630	3,197	4,039
LIABILITIES AND EQUITY				
EQUITY				
Attributable to owners of the company		2,300	284	952
Non-controlling interest		19	–	–
Total Equity		2,319	284	952
NON-CURRENT LIABILITIES:				
Long-term loan from non-controlling interest	4b	248	–	–
Long-term loans from banks		443	619	542
Put option	4a	215	–	197
Total Non-Current Liabilities		906	619	739
CURRENT LIABILITIES:				
Short-term bank credit		16	241	–
Short-term loans from banks		199	235	244
Current maturities of loan from non-controlling interest	4b	425	–	–
Trade payables		1,641	1,785	2,002
Other payables		124	33	102
Total Current Liabilities		2,405	2,294	2,348
TOTAL LIABILITIES AND EQUITY		5,630	3,197	4,039

UNAUDITED COMBINED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

U.S. Dollars in thousands

		<i>Six Months Ended</i>		<i>Year Ended</i>
		<i>30 June</i>		<i>31 December</i>
	<i>Note</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Revenues		3,414	2,557	5,575
Cost of sales		(1,553)	(1,266)	(2,708)
Gross profit		<u>1,861</u>	<u>1,291</u>	<u>2,867</u>
Operating expenses:				
Research and development		(56)	(8)	(18)
Selling and marketing		(164)	(186)	(402)
General and administrative	6	(632)	(765)	(1,525)
		<u>(852)</u>	<u>(959)</u>	<u>(1,945)</u>
Operating profit		1,009	332	922
Finance income		62	–	26
Finance costs		(203)	(199)	(159)
Net finance costs		<u>(141)</u>	<u>(199)</u>	<u>(133)</u>
Profit before deferred income tax		868	133	789
Deferred income tax		51	–	–
Profit for the period		<u>919</u>	<u>133</u>	<u>789</u>
Other comprehensive income		–	–	–
Total comprehensive income for the period		<u><u>919</u></u>	<u><u>133</u></u>	<u><u>789</u></u>
Attributable to:				
Equity shareholders of Starcom GPS		917	133	789
Non-controlling interest		2	–	–
Comprehensive income		<u><u>919</u></u>	<u><u>133</u></u>	<u><u>789</u></u>
Earnings per share:				
Basic and diluted earnings per share (in dollars)	7	<u><u>\$920</u></u>	<u><u>\$133</u></u>	<u><u>\$790</u></u>

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

UNAUDITED COMBINED INTERIM STATEMENT OF CHANGES IN EQUITY

U.S. Dollars in thousands

	<i>Share Capital and Premium</i>	<i>Capital Reserve</i>	<i>Accumulated Earnings</i>	<i>Total</i>	<i>Non controlling interest</i>	<i>Total</i>
(Unaudited)						
Balance – 1 January 2012	225	(197)	924	952	–	952
Comprehensive income for the period	–	–	917	917	2	919
Issuance to others of shares in subsidiary	–	431	–	431	17	448
Balance – 30 June 2012	<u>225</u>	<u>234</u>	<u>1,841</u>	<u>2,300</u>	<u>19</u>	<u>2,319</u>
(Unaudited)						
Balance – 1 January 2011	–	–	151	151	–	151
Comprehensive income for the period	–	–	133	133	–	133
Balance – 30 June 2011	<u>–</u>	<u>–</u>	<u>284</u>	<u>284</u>	<u>–</u>	<u>284</u>
(Audited)						
Balance – 1 January 2011	–	–	151	151	–	151
Shares to be issued	225	–	–	225	–	225
Put option	–	(197)	–	(197)	–	(197)
Dividends distributed	–	–	(16)	(16)	–	(16)
Total transactions with owners of Starcom GPS	225	(197)	135	163	–	163
Comprehensive income for the year	–	–	789	789	–	789
Balance – 31 December 2011	<u>225</u>	<u>(197)</u>	<u>924</u>	<u>952</u>	<u>–</u>	<u>952</u>

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

UNAUDITED COMBINED INTERIM STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Six Months Ended 30 June		Year Ended 31 December
	2012	2011	2011
	Unaudited	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income tax	868	133	789
Adjustments to reconcile net profit to net cash from operating activities:			
Depreciation and amortization	73	34	105
Interest expense/(income)	(68)	70	(51)
Update of sale Options	18	–	–
Changes in assets and liabilities:			
Increase in inventories	(124)	(210)	(573)
Decrease/(increase) in trade receivables	(1,288)	171	201
Decrease/(increase) in other receivables	93	(13)	(181)
Increase in income tax	(2)	(7)	(10)
Increase/(decrease) in trade payables	(361)	203	419
Increase/(decrease) in other payables	22	(59)	11
Net cash provided from (used in) operating activities	(769)	322	710
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(11)	(233)	(249)
Repayment from (proceeds to) related parties	(35)	69	102
Decrease (Increase) in short-term deposit	(1)	–	2
Decrease (Increase) in long-term deposits	120	(7)	6
Purchase of intangible assets	(314)	(264)	(603)
Net cash used in investing activities	(241)	(435)	(742)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from (repayment of) short-term bank credit, net	16	241	(270)
Short-term loans from banks	(39)	(246)	40
Long-term loans	100	208	312
Proceeds from issue of put option	–	–	225
Repayment of long-term loans	(105)	(89)	(156)
Dividends distributed	–	–	(16)
Long-term loan from non controlling interest ,net	1,000	–	–
Net cash from financing activities	972	114	135
Increase (Decrease) in cash and cash equivalents	(38)	1	103
Cash and cash equivalents at the beginning of the period	129	26	26
Cash and cash equivalents at the end of the period	91	27	129
Appendix A – Additional Information			
Interest received during the period	1	–	5
Interest paid during the period	(104)	(81)	(154)

During the year ended 31 December 2011 Starcom GPS received a loan of \$225,000 which was converted into an equity investment of common stock (see Note 4A).

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

NOTES TO THE COMBINED INTERIM FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 1– GENERAL INFORMATION

The Reporting Entity

1. Starcom plc (“the Company”) was incorporated in Jersey on 28 November 2012. On 19 February 2013 the Company agreed to acquire for nominal consideration the entire business, assets and liabilities of Starcom Systems S.A., a Panamanian company controlled by the same shareholders as the Company.

Starcom G.P.S. Systems Limited was incorporated in Israel on 16 November 2004 and is a subsidiary of Starcom Systems S.A. On 19 February 2013 it was agreed that ownership would pass to the Company upon its admission to AIM.

NOTE 2A – BASIS OF PREPARATION

Basis of preparation

The Company's operations are the continuation of the operations of Starcom Systems S.A, (including its holdings in Starcom G.P.S. Systems Limited) held by the same shareholders as the Company. On 19 February 2013, Starcom Systems S.A. agreed to transfer all its operations, assets and liabilities to the Company for nominal consideration.

Since all the assets, liabilities and operations will have been transferred from Starcom Systems S.A. to the Company at the time of Admission, it is appropriate in these Combined Interim Financial Statements to combine the relevant financial results of Starcom Systems S.A. and Starcom G.P.S. Systems Limited for the periods ended 30 June 2012 and 2011 together with the year ended 31 December 2011. The directors of the Company consider that, for the sole purpose of inclusion in this Admission Document, the Combined Interim Financial Statements presented in this report more fairly presented the financial position and financial performance of Starcom Systems S.A. and its then subsidiary (together “Starcom GPS”). These Combined Interim Financial Statements have not been audited.

The relevant data has been combined so that the results, net assets, share capital and accumulated earnings of Starcom Systems S.A. and its subsidiary are aggregated, with intercompany balances and transactions eliminated.

These financial statements has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and IFRIC Interpretations. The financial statements in this Part IV have been prepared under the historical cost convention. The annual financial statements are prepared in accordance with IFRS. Consistent accounting policies are followed in the interim financial statements for 30 June 2012 and 2011 as applied in the Starcom GPS's Combined Historic Financial Information within Part III Section D of this document.

Starcom GPS has adopted IAS 34 “Interim Financial Statements” in preparing this Part IV.

The financial information contained in this Part IV does not constitute audited statutory accounts within the meaning of commercial law and statutes in the territories in which the entities are domiciled or operate.

NOTE 2B – USE OF ESTIMATES AND JUDGMENTS

The preparation of Combined Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 2B of the Combined Historic Financial Information in Part III of this document. The nature and amounts of such estimates have not changed significantly during the interim period, other than the addition of estimates and judgments applied to compound financial instruments as detailed in Note 2C below.

NOTE 2C – SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies used in the Combined Historical Financial Information in Part III are used in these Combined Interim Financial Statements except the accounting policy in respect of compound financial instruments below.

Compound financial instruments

Compound financial instruments issued by Starcom GPS comprise an interest bearing loan for which shares were issued to the lender. In addition, the Company maintains an option to repurchase these shares.

The purchase option component was recognized initially at its fair value using a binomial calculation.

The liability component was recognized initially at its fair value as the gap between fair value of Company assets and fair value of shareholders' equity.

The equity component was recognized initially as the difference between the loan amount plus the purchase option component and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss.

New Amendments and Interpretations not yet Adopted

New Standards, amendments and interpretations issued but not effective for the six months beginning 1 January 2012 and not early adopted:

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. This Standard is effective for periods beginning on or after 1 January 2013.

IFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This Standard is effective for periods beginning on or after 1 January 2013.

IFRS 12 "Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This Standard is effective for periods beginning on or after 1 January 2013.

IFRS 13, "Measurement of Fair Value" (hereinafter: "the Standard")

This Standard replaces the guidelines for measuring fair value that have appeared in other IFRS Standards, and thereby constitutes the ultimate source for proper measurement of fair value in accordance with IFRS regulations. The Standard defines fair value, establishes a framework of guidelines for measurement of fair value, and determines requirements in this regard. The Standard does not set any new requirements for measurement of assets or liabilities at fair value.

The Standard applies to assets, liabilities and equity instruments of the entity that are required to be measured or that may be measured at fair value or that disclosure was rendered in their regard as to fair value in accordance with relevant IFRS regulations. Concurrently, the Standard will not be applicable to share-based payment transactions that are included in IFRS 2, other share-based payments, leasing transactions included in IFRS 17 and other leasings. Concurrently, the Standard will not apply to

measurements resembling but not truly measurements of fair value, such as net realization value of inventories, measurement of usability in accordance with IAS 36, and impairment of assets.

The Standard will be applicable to annual periods commencing 1 January 2013. Earlier implementation is possible, subject to proper disclosure. The Standard will apply prospectively when disclosure requirements do not apply to comparative figures for prior periods upon initial implementation of the Standard.

Amendments to IFRS 7 “Financial Instruments: Disclosures” require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. These amendments are effective for periods beginning on or after 1 January 2013.

Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. Early application continues to be permitted. The amendments also require additional disclosures on transition from IAS 39 “Financial Instruments: Recognition and Measurement” to IFRS 9.

Amendments to IAS 1 “Presentation of Financial Statements” require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. These amendments are effective for periods beginning on or after 1 July 2012.

Amendments to IAS 19 “Employment Benefits” eliminate the option to defer the recognition of gains and losses, known as the “corridor method”; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. These amendments are effective for periods beginning on or after 1 January 2013.

IAS 27 “Separate Financial Statements: Replaces the current version of IAS 27, “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (above mentioned). This revised Standard is effective for periods beginning on or after 1 January 2013.

IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see above). This revised Standard is effective for periods beginning on or after 1 January 2013.

Amendments to IAS 32 “Financial Instruments: Presentation” add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for periods beginning on or after 1 January 2014.

“Annual Improvements 2009-2011 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- An amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” clarifies whether an entity may apply IFRS 1:
 - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
 - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRS in a previous reporting period when IFRS 1 did not exist.

The amendment also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalization was before the date of transition to IFRSs.

- An amendment to IAS 1 “Presentation of Financial Statements” clarifies the requirements for providing comparative information:
 - (a) for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications; and

- An amendment to IAS 16 “Property, Plant and Equipment” addresses a perceived inconsistency in the classification requirements for servicing equipment.
- An amendment to IAS 32 “Financial Instruments: Presentation” addresses perceived inconsistencies between IAS 12 “Income Taxes” and IAS 32 with regard to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
- An amendment to IAS 34 “Interim Financial Reporting” clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

This applies to annual periods beginning on or after 1 January 2013.

The impact on Starcom GPS’s financial statements of the future standards, amendments and interpretations is still under review, but Starcom GPS does not currently expect any of these changes to have a material impact on the results or the net assets of Starcom GPS.

NOTE 3 – INTANGIBLE ASSETS

a. Composition:

	<i>Cost of Materials (including overhead costs)</i>	<i>Direct Labour</i>	<i>Total</i>
Cost:			
Balance as of 1 January 2012	799	333	1,132
Additions during the period	179	135	314
Balance as of 30 June 2012	978	468	1,446
Accumulated Depreciation:			
Balance as of 1 January 2012	28	7	35
Depreciation during the period	29	11	40
Balance as of 30 June 2012	57	18	75
Net book value as of 30 June 2012	921	450	1,371
	<i>Cost of Materials (including overhead costs)</i>	<i>Direct Labour</i>	<i>Total</i>
Cost:			
Balance as of 1 January 2011	464	65	529
Additions during the period	182	82	264
Balance as of 30 June 2011	646	147	793
Accumulated Depreciation:			
Balance as of 1 January 2011	–	–	–
Depreciation during the period	–	–	–
Balance as of 30 June 2011	–	–	–
Net book value as of 30 June 2011	646	147	793

	<i>Cost of Materials (including overhead costs)</i>	<i>Direct Labour</i>	<i>Total</i>
Cost:			
Balance as of 1 January 2011	464	65	529
Additions during the year	334	269	603
Balance as of 31 December 2011	798	334	1,132
Accumulated Depreciation:			
Balance as of 1 January 2011	–	–	–
Depreciation during the year	28	7	35
Balance as of 31 December 2011	28	7	35
Net book value as of 31 December 2011	770	327	1,097

- b. Detail of remaining life of instruments as of 30 June 2012:

<i>Instrument</i>	<i>Cost</i>	<i>Remaining Useful Life</i>
Set 1	536	9.25
Set 2	266	9.25
Set 3	298	10
Set 4	32	10
Total	1,132	

- c. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if developments costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets: ten years.

NOTE 4A – PUT OPTION

On 30 December 2011 Starcom GPS entered into an agreement with a lender whereby a loan amounting to \$225,000 would be converted into common stock of Starcom Systems S.A. Within the framework of this agreement the lender was given the option until July 2013 to put the shares back to the issuer for the original purchase price.

The options were recognized initially at fair value. Subsequent to initial recognition the financial liability will be measured at amortized cost using the effective interest method.

As at 30 June 2012 the common stock had not been issued and the converted loan of \$225,000 was treated as shares to be issued within equity. Subsequent to the year end this agreement was terminated, the loan repaid and the shares were never issued.

NOTE 4B – LONG-TERM LOAN FROM NON-CONTROLLING INTEREST

On 26 March 2012 Starcom G.P.S. Systems Limited, Starcom Systems S.A. and others entered into a loan agreement with Hagshama Starcom 1010 LP (“Hagshama”) pursuant to which Starcom G.P.S. Systems Limited borrowed \$1 million for a period of four years to be repaid in four equal installments of principal and interest at the end of every year. The loan bears monthly interest at the rate of 0.8 per cent. In addition Hagshama paid \$50,000 as an investment for up to 10 per cent. of the share capital of Starcom G.P.S. Systems Limited.

Starcom G.P.S. Systems Limited has an option for early repayment as well as to lengthen the loan period for a year together with an entitlement (but not an obligation) to purchase any ordinary shares acquired by Hagshama at a valuation set out in the agreement between the parties.

In consideration for the loan, Hagshama will receive an amount of shares contingent upon the duration of the loan period and whether Starcom Systems S.A. (or successor) will offer shares in at an Initial Public Offering (IPO).

The Company paid \$50,000 as fees for mobilization of the loan.

The loan was evaluated and divided to different components by independent appraisers as follows:

Repurchase option -\$89

Liability (short and long term) -\$670

Capital reserve -\$469.

The mobilization costs were allocated according to the components ratio.

The loan was assessed assuming a fifty-percent likelihood that the loan will be repaid within a year and a fifty percent likelihood according to the original terms.

Effective annual interest rate was determined as 42.46 per cent.

NOTE 5 – COMMITMENTS AND CHARGES

No material new commitments or charges have been entered into since 31 December 2011.

NOTE 6 – GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Six Months Ended</i> <i>30 June</i>		<i>Year Ended</i> <i>31 December</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
Salaries and related expenses	309	351	730
Depreciation	33	34	70
Doubtful accounts	8	13	27
Other	282	367	698
	<u>632</u>	<u>765</u>	<u>1,525</u>
Cost of defined contribution plans	<u>62</u>	<u>67</u>	<u>125</u>
Average Number of Staff:			
Sales and marketing	3	3	3
Research and development	4	4	4
Other	9	7	7
	<u>16</u>	<u>14</u>	<u>14</u>

NOTE 7 – EARNINGS PER SHARE

Weighted average number of shares used in computing basic and diluted earnings per share:

	<i>Six Months Ended</i> <i>30 June</i>		<i>Year Ended</i> <i>31 December</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
Issued ordinary shares on 1 January	999	999	999

NOTE 8 – CUSTOMERS AND GEOGRAPHIC INFORMATION

a. Major customers' data as a percentage of total sales to unaffiliated customers:

	<i>Six Months Ended</i> <i>30 June</i>		<i>Year Ended</i> <i>31 December</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
Customer A	4.99%	7.02%	4.82%
Customer B	18.06%	20.33%	16.25%

b. Breakdown of combined Sales to unaffiliated customers according to geographic regions:

	<i>Six Months Ended</i> <i>30 June</i>		<i>Year Ended</i> <i>31 December</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
Latin America	47%	49%	49%
Europe	13%	20%	20%
Africa	17%	12%	12%
Asia	14%	13%	13%
Middle East	9%	6%	6%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

c. As of 30 June 2012: \$1,299,000 of the combined depreciated assets are located in Israel and \$382,000 in Panama.

As of 30 June 2011: \$939,000 of the combined depreciated assets are located in Israel and \$227,000 in Panama.

As of 31 December 2011: \$1,147,000 of the combined depreciated assets are located in Israel and \$282,000 in Panama.

NOTE 9 – SEGMENTATION REPORTING

Starcom GPS has three main reportable segments, as detailed below:

Reported operating segments include: sets, accessory, web and other.

Amounts presented in relation to assets are measured consistent with the manner of measurement in the Combined Historical Financial Information in Part III.

Segment information regarding the reported segments (in US\$ dollars thousands):

	<i>Sets</i>	<i>Web</i>	<i>Accessory</i>	<i>Other</i>	<i>Total</i>
Period Ended 30.06.2012:					
Segment revenues	2,420	883	111	–	3,414
Cost of sales	(1,460)	(24)	(69)	–	(1,553)
Gross profit	960	859	42	–	1,861
Operating expenses					(852)
Operating profit					1,009
Period Ended 30.06.2011:					
Segment revenues	1,764	690	77	26	2,557
Cost of sales	(1,219)	(9)	(38)	–	(1,266)
Gross profit	545	681	39	26	1,291
Operating expenses					(959)
Operating profit					332
Year Ended 31.12.2011:					
Segment revenues	3,719	1,582	205	69	5,575
Cost of sales	(2,554)	(29)	(125)	–	(2,708)
Gross profit	1,165	1,553	80	69	2,867
Operating expenses					(1,945)
Operating profit					922

NOTE 10 – EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- On 19 February 2013 Starcom Systems S.A. agreed to transfer to the Company the entire business and associated assets and liabilities of Starcom Systems S.A. on or before Admission.
- Subsequent to 30 June 2012 the agreement described in note 4A was terminated with proceeds being repaid together with an early repayment penalty of \$12,000.

PART V

SECTION A

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

The following is the text of a report received from Littlejohn LLP, reporting accountants:

LITTLEJOHN

The Directors
Starcom plc
13-14 Esplanade
St Helier
Jersey JE1 1BD

The Directors
Northland Capital Partners Limited
60 Gresham Street
London EC2V 7BB

19 February 2013

Dear Sirs

Report on the unaudited statement of pro forma aggregated net assets

We report on the unaudited statement of pro forma aggregated net assets set out Section B of Part V, of the Admission Document dated on 19 February 2013 (the "Statement of Pro forma Aggregated Net Assets"), which has been prepared on the basis described in notes 1 to 7, for illustrative purposes only, to provide information about how the Admission, the Placing and repayment of loan might have affected the financial information presented on the basis of the accounting policies adopted by Starcom Plc.

This report is required by guidance issued by the London Stock Exchange with respect to AIM and is given for the purpose of complying with the guidance issued by the London Stock Exchange and for no other purpose.

Responsibilities

It is the responsibility solely of the Directors of Starcom plc to prepare the Statement of Pro forma Aggregated Net Assets.

It is our responsibility to form an opinion as to the proper compilation of the Statement of Pro forma Aggregated Net Assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purposes of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering

evidence supporting the adjustments and discussing the Statement of Pro forma Aggregated Net Assets with the Directors of Starcom plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement of Pro forma Aggregated Net Assets has been properly compiled on the basis stated and as such is consistent with the accounting policies of Starcom plc.

Opinion

In our opinion:

- The Statement of Pro forma Aggregated Net Assets has been properly compiled on the basis set out therein;
- Such bases are consistent with the accounting policies of Starcom plc; and
- The adjustments are appropriate for the purposes of the Statement of Pro forma Aggregated Net Assets as disclosed.

Declaration

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included within the Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

Littlejohn LLP

Chartered Accountants

PART V

SECTION B

UNAUDITED STATEMENT OF PRO FORMA AGGREGATED NET ASSETS

Set out below is an unaudited statement of pro forma aggregated net assets of Starcom plc ("the Company") and Starcom GPS (together "the Enlarged Group") which has been prepared for illustrative purposes only to show the effect of the Placing and repayment of loan as if it had occurred on 31 December 2012. The statement of pro forma aggregated net assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Enlarged Group's financial position or results.

	<i>The Company</i>	<i>Starcom GPS</i>			<i>Unaudited pro forma aggregated net assets of the Enlarged Group on admission to AIM</i>
	<i>Net assets as at 31 December 2012 (Note 1) \$'000</i>	<i>Net assets as at 30 June 2012 (Note 2 and 5) \$'000</i>	<i>Issue of Placing Shares net of costs (Note 3) \$'000</i>	<i>Repayment of loan (Note 4) \$'000</i>	<i>\$'000</i>
Assets					
Non-current assets					
Intangible assets	–	1,371	–	–	1,371
Property, plant and equipment	–	310	–	–	310
Deferred tax asset	–	250	–	–	250
Other	–	160	–	–	160
	<u>–</u>	<u>2,091</u>	<u>–</u>	<u>–</u>	<u>2,091</u>
Current assets					
Trade and other receivables	–	2,403	–	–	2,403
Inventory	–	1,036	–	–	1,036
Cash and cash equivalents	–	100	3,249	(1,000)	2,349
	<u>–</u>	<u>3,539</u>	<u>3,249</u>	<u>(1,000)</u>	<u>5,788</u>
Total assets	<u>–</u>	<u>5,630</u>	<u>3,249</u>	<u>(1,000)</u>	<u>7,879</u>
Liabilities					
Current liabilities					
Loans	–	640	–	(422)	218
Trade and other payables	–	1,765	–	–	1,765
	<u>–</u>	<u>2,405</u>	<u>–</u>	<u>(422)</u>	<u>1,983</u>
Current liabilities	<u>–</u>	<u>2,405</u>	<u>–</u>	<u>(422)</u>	<u>1,983</u>
Long term liabilities					
Loans	–	906	–	(248)	658
	<u>–</u>	<u>3,311</u>	<u>–</u>	<u>(670)</u>	<u>2,641</u>
Total liabilities	<u>–</u>	<u>3,311</u>	<u>–</u>	<u>(670)</u>	<u>2,641</u>
Total assets less total liabilities	<u>–</u>	<u>2,319</u>	<u>3,249</u>	<u>(330)</u>	<u>5,238</u>

Notes:

The Statement of Pro Forma Aggregated Net Assets has been prepared on the following basis:

1. The audited net assets of the Company as at 31 December 2012 have been extracted without adjustment from the Historic Financial Information included in Section B of Part III of this document.
2. The unaudited net assets of Starcom GPS as at 30 June 2012 have been extracted without adjustment from the Unaudited Interim Financial Information in Part IV of this document.
3. An adjustment has been made to reflect the proceeds of a placing of 13,600,000 Ordinary Shares of the Company at an issue price of 20p per Ordinary Share net of an adjustment to reflect the payment in cash of admission costs estimated at approximately US\$1 million inclusive of any non recoverable sales taxes. An exchange rate of 1.5618 US\$ to 1 Pound Sterling has been applied to the Placing proceeds and those costs of admission payable in Sterling.
4. An adjustment has been made to reflect the repayment of loan principal advanced by Hagshama as described in paragraph 11.8 of Part VI of this document.
5. On 19 February 2013, the Company agreed to acquire the trade and associated assets and liabilities of Starcom Systems S.A. which included its interest in Starcom G.P.S. Limited (together "Starcom GPS") for nominal consideration. The acquisition will complete upon Admission. The Board of Directors intend this transaction to be reflected as a reverse merger within the next published consolidated financial statements of the Company. The Board of Directors do not believe this transaction will materially alter the net assets of the Company.
6. No adjustments have been made to reflect the trading or other transactions, other than described above of:
 - (i) the Company since 31 December 2012;
 - (ii) the trade of Starcom GPS since 30 June 2012.
7. The Statement of Pro Forma Aggregated Net Assets does not constitute audited financial statements.

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Directors, whose names and functions are set out on page 5 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated and registered as Starcom Limited in Jersey on 28 November 2012 as a private no par value company limited by shares with registered number 111932. Pursuant to a special resolution dated 19 February 2013 the Company changed status to a public limited company on 19 February 2013 with the name Starcom plc.
- 2.2 The registered office of the Company is 13-14 Esplanade, St Helier, Jersey JE1 1BD, Channel Islands. The principal place of business of the Company is The Twin Towers, Building One, Jabotinsky Street, 52511, Ramat Gan, Israel and its telephone number is +972 3-619-9901. The address of the Company's website on which the information required by Rule 26 of the AIM Rules is available is www.starcomplc.com.
- 2.3 The principal legislation under which the Company operates is the Companies Law and regulations made thereunder.
- 2.4 The Company is domiciled in Jersey.
- 2.5 The liability of the members of the Company is limited to the amount, if any, unpaid on the shares held by them.
- 2.6 The principal activity of the Company is that of a holding company. The principal activity of the Group is that of the development of wireless solutions for the remote tracking, monitoring and protection of various types of assets and of peoples.

3. THE GROUP

- 3.1 The Company is the ultimate holding company of the Group and on Admission will have the following subsidiary undertakings:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage owned</i>
Starcom G.P.S. Systems Ltd	Israel	Trading company	100%*
Starcom Systems Limited	Jersey	Trading company	100%

* the entire issued share capital of Starcom G.P.S. Systems Ltd will be transferred to the Company on or before Admission

- 3.2 Save as disclosed in paragraph 3.1 above, there are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

4. SHARE CAPITAL

- 4.1 The history of the Company's share capital since its incorporation on 28 November 2012 is as follows:
- (a) on incorporation, the subscribers to the memorandum were Central One Limited and Central Two Limited, who each subscribed for one Ordinary Share;

- (b) on 16 January 2013, Central One Limited transferred its one Ordinary Share to Doron Kedem and Central Two Limited transferred its one Ordinary Share to Avraham Hartmann;
 - (c) immediately thereafter the Company issued one Ordinary Share to Uri Hartmann;
 - (d) on 19 February 2013, the Company issued a further 18,783,333 Ordinary Shares to Avraham Hartmann and a further 18,783,332 Ordinary Shares to each of Doron Kedem and Uri Hartmann.
- 4.2 The Company has irrevocably agreed with Hagshama pursuant to the Hagshama Agreement that certain of the proceeds of the Placing will be used to discharge the debt under the Hagshama Loan Agreement (as described in paragraph 11.8 of this Part VI). As part of the agreement, the Company will issue, upon Admission, 1,150,000 Ordinary Shares to Hagshama.
- 4.3 Pursuant to the Option Agreement as further described in paragraph 11.10 of this Part VI, the Company has agreed, conditional upon Admission, to grant to Northland options at the Placing Price in respect of 1,066,500 Ordinary Shares, representing 1.5 per cent. of the Enlarged Share Capital.
- 4.4 Pursuant to the agreement between Starcom Israel and Greenlight (as further described in paragraph 11.11 of this Part VI), the Company has agreed, conditional upon Admission, to grant to Greenlight options at the Placing Price in respect of 544,000 Ordinary Shares, representing 4 per cent. of the number of Ordinary Shares issued pursuant to the Placing.
- 4.5 By a special resolution of the Company passed on 19 February 2013, the Directors were generally and unconditionally authorised pursuant to Article 2.3 of the Articles to exercise all powers of the Company to allot:
- (a) conditional upon Admission, in aggregate, 13,600,000 relevant securities (within the meaning of the Articles) in connection with the Placing;
 - (b) conditional upon Admission, in aggregate, 1,150,000 relevant securities in connection with the Hagshama Agreement described in paragraph 11.8 of this Part VI;
 - (c) conditional upon Admission, in aggregate, 1,066,500 relevant securities in connection with the exercise of the options described in paragraph 4.3 of this Part VI;
 - (d) conditional upon Admission, in aggregate, 544,000 relevant securities in connection with the exercise of the options described in paragraph 4.4 of this Part VI;
 - (e) conditional upon Admission, in aggregate, 1,422,000 relevant securities in connection with the exercise of the options described in paragraphs 9.2 and 9.3 of Part VI of this document;
 - (f) conditional upon Admission, otherwise than pursuant to sub-paragraph (a), (b), (c) or (d) above:
 - (i) up to, in aggregate, 47,400,000 relevant securities (representing two thirds of the allotted and fully paid Ordinary Shares expected to be in issue immediately following Admission) (such amount to be reduced by the number of relevant securities allotted under sub-paragraph (ii) below) in connection with an offer by way of rights, open offer or other pre-emptive offer;
 - (ii) in any other case, up to, in aggregate 23,700,000 relevant securities (representing one third of the allotted and fully paid Ordinary Shares expected to be in issue immediately following Admission) (such amount to be reduced by the number of relevant securities allotted under sub-paragraph (i) above); and
 - (g) conditional upon Admission, relevant securities in connection with the exercise of options issued under the Share Option Scheme.

The authority conferred by this resolution is to expire at the conclusion of the next annual general meeting of the Company after the passing of the resolution or, if earlier, on 19 May 2014 save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offers or agreements as if the authority conferred by this resolution had not expired.

- 4.6 By the same resolution as is referred to in paragraph 4.5 above, it was resolved to empower the Directors in accordance with Article 2.10 of the Articles to allot equity securities (as described in the

Articles) for cash, either pursuant to the authority referred to in paragraph 4.5 above or by way of a sale of treasury shares, as if the pre-emption rights in the Articles did not apply to any such allotment provided that this power is limited to:

- (a) the allotment of 13,600,000 equity securities in connection with the Placing;
- (b) the allotment of 1,150,000 equity securities in connection with the Hagshama Agreement described in paragraph 11.8 of this Part VI;
- (c) the allotment of 1,066,500 equity securities in connection with the exercise of the options described in paragraph 4.3 of this Part VI;
- (d) the allotment of 544,000 equity securities in connection with the exercise of the options described in paragraph 4.4 of this Part VI;
- (e) the allotment of 1,422,000 equity securities in connection with the exercise of the options described in paragraphs 9.2 and 9.3 of Part VI of this document;
- (f) the allotment of Ordinary Shares in connection with an offer of such securities to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares and to holders of other securities as required by the rights of those securities or as the Directors otherwise consider necessary but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or any stock exchange;
- (g) the allotment (otherwise than pursuant to paragraphs (a), (b), (c) or (d) above) of 7,110,000 equity securities (representing approximately 10 per cent. of the maximum expected issued and unconditionally allotted share capital of the Company immediately following completion of the Placing); and
- (h) the allotment of equity securities in connection with the exercise of options issued under the Share Option Scheme.

4.7 By a special resolution of the Company passed on 19 February 2013, subject to and conditional upon Admission the Company was generally and unconditionally authorised for the purposes of Articles 55 and 57 of the Companies Law to make one or more purchases on AIM of its own Ordinary Shares provided that:

- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 10,657,890 (representing approximately 14.99 per cent. of the Enlarged Share Capital);
- (b) the maximum price to be paid per Ordinary Share must not be more than 10 per cent. above the volume weighted average price the 30 day period ending on the date of the share buy back;
- (c) the minimum price to be paid per Ordinary Share must not be less than 10 per cent. below the volume weighted average price the 30 day period ending on the date of the share buy back;
- (d) unless otherwise renewed, varied or revoked, the authority shall expire 12 months from the date of passing of the resolution; and
- (e) the Company may make a contract or contracts to purchase the Ordinary Shares under the authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of the Ordinary shares in pursuance of any such contract or contracts.

The power conferred by this resolution is to expire at the conclusion of the next annual general meeting of the Company after the passing of the resolution or, if earlier, on 19 May 2014 save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offers or agreements as if the power conferred by this resolution had not expired.

- 4.8 The issued and fully paid share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

<i>Ordinary Shares</i>	<i>Number</i>
As at the date of this document	56,350,000
Immediately following Admission	71,100,000

- 4.9 The Company is authorised to issue an unlimited number of no par value shares.
- 4.10 A total of 13,600,000 Placing Shares will be issued pursuant to the Placing. This, together with the Hagshama Shares, will result in an increase to the Existing Share Capital of 26.18 per cent. and a dilution to the interests in the Company of the holders of Existing Share Capital of 20.75 per cent.
- 4.11 The Placing Shares and the Hagshama Shares will, on Admission, rank *pari passu* in all respects with the Existing Share Capital including the right to receive all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission.
- 4.12 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, may be held either in certificated form or in uncertificated form. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK and Ireland Limited and the Company's registrars.
- 4.13 It is expected that, where appropriate, share certificates in respect of Placing Shares will be despatched by post within 10 business days of the date of Admission. Temporary documents of title will not be issued. Pending the despatch of definitive share certificates, transfers will be certified against the register of members of the Company.
- 4.14 None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission.
- 4.15 The legislation under which the Ordinary Shares have been created is the Companies Law and regulations made under the Companies Law.
- 4.16 The Ordinary Shares are denominated in pounds sterling. The Ordinary Shares have no par value.
- 4.17 The International Securities Identification Number or ISIN for the Ordinary Shares is JE00B8WSDYZ.
- 4.18 The Ordinary Shares are not redeemable. However, the Company may, subject to the requirements of the Companies Law, purchase any of the Ordinary Shares on or off-market.
- 4.19 Save as disclosed in this paragraph 4 or in paragraphs 6 and 9 of this Part VI:
- (a) no shares in the capital of the Company have been issued otherwise than as fully paid;
 - (b) the Company does not have in issue any shares not representing capital;
 - (c) the Company does not hold any treasury shares and no shares in the capital of the Company are held by or on behalf of any member of the Group;
 - (d) the Company does not have in issue any convertible securities, exchangeable securities or securities with warrants;
 - (e) there are no acquisition rights and/or obligations over any unissued shares in the capital of the Company and no undertaking has been given by the Company to increase its Existing Share Capital; and
 - (f) no share or loan capital of any member of the Group is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 4.20 No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

Persons seeking a detailed explanation of the Memorandum and Articles or any provisions of Jersey law or the difference between it and the laws of England and Wales or any other jurisdiction, should seek specific legal advice.

The Memorandum does not restrict the activities of the Company and thus the Company will have unlimited legal capacity. The Memorandum provides that the objects of the Company are unrestricted.

The Articles were adopted by the Company by a special resolution passed on 19 February 2013 and include, *inter alia*, the provisions set out below.

5.1 Definitions

In this paragraph 5 the following definitions apply:

“DTR” means the United Kingdom Disclosure and Transparency Rules as amended from time to time relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made, as published by the Financial Services Authority of the United Kingdom;

“Exempt Transfer” in relation to any share is a transfer pursuant to:

- (a) a sale of the share on AIM or a regulated market in the United Kingdom on which shares of that class are listed or normally traded; and/or
- (b) a sale of the whole beneficial interest in the share to a person whom the Board is satisfied is unconnected with the existing holder or with any other person appearing to be interested in the share; or
- (c) acceptance of a takeover offer;

“Operator” has the same meaning as “authorised operator” as provided for in the CREST Regulations;

“participating class” means a class of shares title to which is permitted by an Operator to be transferred by a relevant system;

“relevant securities” means:

- (a) shares in the Company other than shares allotted pursuant to:
 - (i) an employee share scheme;
 - (ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a relevant security; or
 - (iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a relevant security; and
- (b) any right to subscribe for, or to convert any security into, shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme, and a reference to the allotment of relevant securities includes the grant of such a right; and

“special resolution” means a resolution of the Company passed as a special resolution in accordance with the Companies Law by a majority of three-fourths of the votes cast on that resolution.

5.2 Stated capital account

The Company shall maintain a stated capital account in accordance with the Companies Law for each class of issued shares. A stated capital account may be expressed in any currency.

5.3 **Alteration of share capital**

The Company may by special resolution alter its share capital in any manner permitted by Article 38 of the Companies Law. In accordance with (and subject to) the provisions of Article 61 of the Companies Law, the Company may by special resolution reduce its stated capital account and capital redemption reserve in any way.

5.4 **Purchase of own shares**

Subject to and in accordance with the Companies Law and without prejudice to any special rights attached to any class of shares, the Company may purchase any of its own shares of any class (including, without limitation, redeemable shares) in any way and at any price and may hold such shares as treasury shares.

5.5 **Share rights**

Subject to the Companies Law and without prejudice to any rights attached to any existing shares, any share in the Company may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. No share issued by the Company shall have a nominal value. Subject to the Companies Law and to any rights attached to any existing shares, the Company may issue shares which are to be redeemed, or at the option of the Company or the holder are liable to be redeemed.

5.6 **Allotment of securities and pre-emption rights**

Subject to the provisions of the Companies Law, the Articles and any resolution of the Company passed by the Company conferring authority on the Directors to allot shares, as referred to below and without prejudice to any rights attached to existing shares, all unissued shares are at the disposal of the Board which may reclassify, allot, grant options over or otherwise dispose of them to persons at such times and on such terms and conditions as the Board may decide.

The Board has the power to allot relevant securities subject to authority granted by the Company by ordinary resolution which shall provide for: (i) the number of relevant securities which may be issued by the Board generally and unconditionally; and (ii) may specify the issue price of such relevant securities.

Although the Companies Law does not provide any statutory pre-emption rights, the Articles provide that equity securities allotted by the Company must first be offered to existing Shareholders in proportion to their respective holdings of Ordinary Shares except that such pre-emption rights shall not apply where they are dis-applied by way of special resolution of the holders of shares of the class who (being entitled to do so) vote in person or by proxy at a separate general meeting of such holders in relation to: (i) bonus shares; (ii) equity securities wholly or partly paid up otherwise than in cash; or (iii) equity securities issued in connection with an employee share scheme.

5.7 **Share certificates**

Every member on becoming the holder of any certificated share (except a recognised person in respect of whom the Company is not by law required to issue a certificate) whose name is entered on the Company's register of members as a holder of any certificated shares is entitled, without payment, to one certificate in respect of all shares of any class held by him. In the case of joint holders, delivery of a certificate to one of the joint holders shall be sufficient delivery to all.

The Company's board may permit title to some or all of the shares of any class to be evidenced otherwise than by a certificate and title to such shares to be transferred in accordance with the rules of a relevant system pursuant to which title to units of a security can be evidenced and transferred in accordance with the CREST Regulations, without a written instrument. The Articles are consistent with CREST membership.

5.8 **Call, forfeiture and lien**

The Board may from time to time make calls upon the members in respect of any moneys unpaid on their shares. Each member shall (subject to being given at least 14 clear days' notice specifying where and when payment is to be made) pay to the Company the specified amount called on his shares. If any call or instalment of a call remains unpaid on or after the due date for payment, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid. Interest shall be paid at a fixed rate, fixed by the terms of the allotment of the share or in the notice of call or if no rate is fixed, the rate determined by the Board not exceeding five per cent. per annum, or, if higher, the appropriate rate (as determined by the UK Secretary of State and defined in the 2006 Act). The Board may also (on giving not less than 14 clear days' notice requiring payment of the amount unpaid together with interest and costs incurred) forfeit the shares by resolution of the Board. The forfeiture shall include all dividends or monies payable in respect of the forfeited share. The forfeited shares may be sold, re-allotted or otherwise disposed of by the Board in such manner as it determines.

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies payable to the Company (whether presently or not) in respect of that share. The Board may at any time (generally or in a particular case) waive any lien or declare any share to be wholly or in part exempt from the relevant provisions of the Articles. The Company's lien on a share shall extend to any amount (including without limitation dividends) payable in respect of it.

5.9 **Variation of rights**

Subject to the provisions of the Companies Law and to any rights attached to existing shares (and except in the case where there is only one holder of the issued shares in which case all rights attached to an existing class of shares may be varied only with the consent in writing of that holder), all or any of the rights attached to any class of shares may be varied either with the written consent of the holders of not less than three-fourths in number of the issued shares of the class or the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held.

5.10 **Transfer of shares**

Without prejudice to any power of the Company to register as a shareholder a person to whom the right to any share has been transmitted by operation of law, the instrument of transfer of a certificated share may be in the usual form or in any other form approved by the Board and shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

Any member may transfer all or any of his shares which are in uncertificated form, subject to the CREST Regulations, by means of a relevant system provided that legal title to such shares shall not pass until the transfer is entered in the register.

The Board may refuse to register the transfer of a share in certificated form unless the instrument of transfer:

- (a) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of only one class of shares; and
- (c) is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share in certificated form it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share, or for making any other entry in the register.

Any member may transfer all or any of his shares which are in uncertificated form, subject to the rules and regulations of the relevant system, provided that legal title to such shares shall not pass until the transfer is entered in the Company's register of members. Subject to the Companies Law, the AIM Rules for Companies and any applicable laws, rules and regulations relating to a relevant system, no provision of the Articles shall apply or have effect to the extent that it is inconsistent in any respect with:

- (a) the holding of shares of that class in uncertificated form;
- (b) the transfer of title to shares of that class by means of a relevant system;
- (c) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system; and
- (d) any provision of the CREST Regulations.

The Directors may lay down regulations not included in the Articles which (in addition to, or in substitution for, any provisions in the Articles):

- (a) apply to the issue, holding or transfer of shares in uncertificated form;
- (b) set out (where appropriate) the procedures for conversion and/or redemption of shares in uncertificated form; and/or
- (c) the Directors consider necessary or appropriate to ensure that these Articles are consistent with the CREST Regulations and/or the Operator's rules and practices.

The Articles provide that the Board may suspend the registration of transfers of shares or of transfers of any class of shares at such times and for such periods (not exceeding 30 days in any year) as the Board may determine, except that the Board may not suspend the registration of transfers of any participating class without the consent of the Operator of the relevant system.

5.11 Disclosure of interests in shares

The provisions of DTR 5 shall be deemed to apply to the Company, so that members are required under the Articles to notify the Company of the percentage of their voting rights if the percentage of voting rights which they hold as a shareholder or through their direct or indirect holding of financial instruments falling within paragraph 5.1.3R of DTR 5 (or a combination of such holdings) reaches, exceeds or falls below three per cent., four per cent., five per cent., six per cent., seven per cent., eight per cent., nine per cent., 10 per cent., and each one per cent. threshold thereafter up to 100 per cent., or reaches or exceeds or falls below any of these thresholds as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with paragraph 5.6.1R of DTR 5. Paragraph 5.8 of DTR 5 notes that a shareholder must make the notification required under paragraph 5.1 of DTR 5 as soon as possible and in any event not later than two trading days after the date on which the person: (i) learns of the acquisition or disposal or of the possibility of exercising voting rights or having regard to the circumstances should have learned of it regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or (ii) is informed on the basis of information disclosed by the Company of events changing the breakdown of voting rights which results in the person reaching, exceeding or falling below a relevant threshold.

If any member fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their rights as to voting, dividends and transfer (except pursuant to an Exempt Transfer). Such suspension shall have effect from the date on which the default notice is delivered to the shareholder until a date that is not more than seven days after the Board has determined that the holder of the shares has cured the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the shares shall be retained by the Company without any obligation to pay interest thereon.

The Directors have the power, by giving notice, to require any member to disclose to the Company the identity of any person other than the member who is interested in the shares held by the member or who has been at any time during the preceding three years been so interested, in both cases together with details of the nature of such interest. If any member has been duly served with such a

notice and is in default of the prescribed period in supplying the information required, certain restrictions shall apply. A disclosure notice may direct that the member shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares. Where the default shares represent at least 0.25 per cent. of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Company and transfers of default shares will be restricted until the restrictions cease to apply.

5.12 General meetings

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the Companies Law. The Board may convene general meetings whenever it thinks fit. At least 14 clear days' notice shall be given of every annual general meeting and of all other general meetings, including without limitation, every general meeting called for the passing of a special resolution. The Company may determine that the members entitled to receive a notice of a general meeting of the Company are the members on the register at the close of business on a day determined by the Company, which day may not be more than 21 days before the day that notices of the meeting are sent.

The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted at the meeting. In the case of an annual general meeting, the notice shall specify the meeting as such. In the case of a meeting to pass a special resolution the notice shall specify the intention to propose the resolution as a special resolution.

For the purpose of determining whether a person is entitled as a member to attend or vote at a meeting and how many votes such person may cast, the Company may specify in the notice of the meeting a time not more than 48 hours before the time fixed for the meeting, by which a person who holds shares in registered form must be entered on the register in order to have the right to attend or vote at the meeting or to appoint a proxy to do so.

The Board may resolve to enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at a satellite meeting place anywhere in the world and any members in attendance in person or by proxy at any such meeting place shall be counted in the quorum and entitled to vote at the general meeting.

Members representing at least five per cent. of the total voting rights of all members who are entitled to vote on the resolution at the annual general meeting to which the request relates (excluding any voting rights attached to any shares in the Company held as treasury shares), or not less than 100 members who have a relevant right to vote on such resolution and who hold shares in the Company on which there has been paid up an average sum, per member, of at least £100, may require the Company to circulate notice of a resolution which may be, and is intended to be, moved at that annual general meeting to members and if so required, the Company shall, unless the resolution would if passed be ineffective, is defamatory of any person or is frivolous or vexatious, give such notice in the same manner as notice of the meeting and at the same time as, or as soon as reasonably practicable after it gives notice of the meeting.

Members representing at least five per cent. of the total voting rights of all members who, in relation to a proposed resolution, are entitled to vote on that resolution at the meeting to which the request relates, or in relation to any other matter, are entitled to vote at the meeting to which the request relates (a "relevant right to vote") (excluding any voting rights attached to any shares in the Company held as treasury shares) or, not less than 100 members who have a relevant right to vote and on which there has been paid up an average sum, per member, of at least £100, may require the Company to circulate to members an explanatory statement of not more than 1,000 words with respect to a matter referred to in the proposed resolution to be dealt with at the meeting to which the request relates, or to any other business to be dealt with at that meeting. However, the Company has the right to apply to the Royal Court of Jersey to seek a ruling that it is not required to circulate a members' statement on the basis that the rights in the Articles are being abused.

Members representing at least five per cent. of the total voting rights of all members who are entitled to vote on the matter to which a poll relates (excluding any voting rights attributed to any shares in

the Company held as treasury shares) or not less than 100 members who have a relevant right to vote and on which there has been paid up an average sum per member of at least £100 may require the Directors to obtain an independent report on any poll taken or to be taken at a general meeting of the Company.

A member of the Company may nominate a person, on whose behalf he holds shares, to enjoy rights to receive a copy of all communications that the Company sends to its members.

All resolutions put to the vote of a general meeting shall be decided upon by a show of hands unless a poll is validly demanded. Subject to any rights and restrictions attached to any shares, members and their duly appointed proxies shall have the right to attend and speak at general meetings and to vote, and to demand, or join in demanding, a poll.

On a show of hands every member who is present in person shall have one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote. On a poll every member present or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares unless all monies presently payable by him or in respect of his shares have been paid.

A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the capital of the Company.

The chairman may with the consent of a meeting at which a quorum is present, adjourn the meeting.

5.13 Power to require website publication of audit concerns

Where so requested by members representing at least five per cent. of the total voting rights of all the members who have a right to vote at the general meeting at which the accounts of the Company are laid, or by at least 100 members who have such right to vote and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100, the Company shall publish on its website a statement setting out any matter relating to the audit of the Company's accounts or any circumstances connected with an auditor of the Company ceasing to hold office except where the Board believes in good faith that the rights so conferred are being abused.

5.14 Voting rights

Subject to any special terms as to voting attached to any shares and to the Articles, on a show of hands every member who is present in person or by proxy shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. A member may appoint more than one proxy.

No member shall be entitled to vote at any general meeting unless all monies presently payable by him in respect of shares in the Company have been paid.

In the case of joint shareholders only, the vote of the senior joint holder shall be accepted. In the case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote in addition to any other vote he may have.

5.15 Appointment of Directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two or more than 10. Directors may be appointed by ordinary resolution or by the Board. At every annual general meeting one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to and exceeding one-third shall retire from office; but if any Director has at the

start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at that annual general meeting.

Any Director may appoint any other Director or other person approved by resolution of the Board and willing to act, to be an alternate Director.

Subject to the provisions of the Companies Law, the Board may appoint one or more of its body to be the holder of any executive office (except that of auditor) in the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made on such terms, including without limitation terms as to remuneration, as the Board determines. The Board may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company because of the revocation or variation.

5.16 No share qualification

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

5.17 Retirement of Directors by rotation

The Directors to retire by rotation shall be first, those who wish to retire and not be re-appointed to office, and second, those who have been in office longest since their last appointment or reappointment. As between persons who became or were last re-appointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. No Director shall be required to retire or be relieved from retiring or to be retired by reason of any change in the number or identity of the Directors after the date of the notice but before the close of the meeting.

5.18 Remuneration of Directors

The emoluments of any executive Director shall be determined by the Board. The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate such amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee for his services (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board.

Any Director who does not hold executive office and who performs special services which, in the opinion of the Board, go beyond the ordinary duties of a Director, may be paid such extra remuneration as the Board may determine. The Directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may (by establishment of, or maintenance of, schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family (including a spouse, a civil partner, a former spouse and a former civil partner) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

5.19 Compensation for loss of office

The provisions contained in sections 215 to 221 of the 2006 Act in relation to payments made to Directors (or a person connected to such Directors) for loss of office and the circumstances in which such payments would require the approval of members apply to the Company such that the

Company may not make payment for loss of office to a director unless approved by a resolution of the members of the Company. Such resolution must not be passed unless a memorandum setting out the particulars of the proposed payment (including its amount) is made available to the members of the Company.

5.20 Permitted interests of Directors

Subject to the provisions of the Companies Law and provided that where a Director, to his knowledge, is in any way directly or indirectly interested in a contract, transaction or arrangement with the Company and such interest conflicts or may conflict to a material extent with the interests of the Company, has disclosed to the Board (at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case as soon as practical after that meeting, by notice in writing delivered to the secretary, at the first meeting of the Board after he knows that he is or has become so interested) the nature and extent of his interest, a Director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company (including in relation to any insurance proposal which the Company proposes to maintain or purchase for the benefit of the Directors) or in which the Company is otherwise interested;
- (b) may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other provision of the Articles;
- (c) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- (d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal, and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

5.21 Powers of Directors

Subject to the provisions of the Companies Law and the Articles and any direction given by special resolution, the business of the Company shall be managed by the Board which may exercise all powers of the Company. The Board may delegate any of its powers to any committee consisting of one or more Directors. The Board may also delegate any of its powers to any Director holding any executive office.

5.22 Proceedings of Directors

A Director may, and the secretary at the request of a Director shall, call a meeting of the Board by giving notice of the meeting to each Director.

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote, provided that the chairman may not exercise any such second or casting vote at any meeting at which only two of the Directors who are present are entitled to vote. Any Director may waive notice of a meeting and any such waiver may be retrospective.

The quorum for the transaction of the business of the Board may be fixed by the Board and unless so fixed at any other number shall be two. A person who holds office only as an alternate Director may, if his appointor is not present, be counted in the quorum.

A resolution in writing agreed by all the Directors entitled to receive notice of and vote at a meeting of the Board or of a committee of the Board (not being less than the number of Directors required to form a quorum of the Board) shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of the Board duly convened and held.

A person entitled to be present at a meeting of the Board or of a committee of the Board shall be deemed to be present for all purposes if he is able (directly or by electronic communication) to speak to and be heard by all those present or deemed to be present simultaneously. A Director so deemed to be present shall be entitled to vote and be counted in a quorum accordingly.

5.23 Restrictions on voting

Except as otherwise provided in the Articles, a Director shall not vote on (but shall still be counted in the quorum in relation to) any resolution of the Board or a committee of the Board concerning a contract, transaction or arrangement in which he has an interest which (taken together with any interests of any person connected with him) is, to his knowledge, a material interest, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any proposal concerning any other body corporate in which he (together with persons connected with him within the meaning of sections 252, 253 and 254 of the 2006 Act) does not to his knowledge have an interest in 1 per cent. or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;
- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

Subject to the Companies Law, the Company may by ordinary resolution suspend or relax the above provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

A Director shall not vote (but shall be counted in the quorum) on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any body corporate in which the Company is interested. Where proposals are under consideration concerning the appointment of two or more Directors to offices or places of profit with the Company or any body corporate in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case, each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote in respect of each resolution except that concerning his own appointment and for the avoidance of doubt shall be still be counted in the quorum for any resolution concerning his own appointment.

An interest of a person who is for the purposes of the 2006 Act connected with a Director shall be treated as an interest of the Director, provided that the Director is aware of such interest.

5.24 Indemnity of officers

The Companies Law restricts indemnities or exemptions from liability given by Jersey companies to their directors and officers. In general, directors and officers of a Jersey company cannot be exempted from or receive an indemnity in respect of any liability which would otherwise attach to that director or officer under law by reason of the fact that they are or were a director or officer of the company. There are exemptions to this restriction, in particular in respect of proceedings where the director or officer is not held liable or the matter is discontinued, where the director or officer acted in good faith in the best interests of the company and in respect of any liability for which the company normally maintains insurance. The Articles provide that a Director, alternate Director, secretary or other officer may be indemnified out of the assets of the Company to the extent this is legally permissible under the Companies Law and subject to the rules made by London Stock Exchange plc in connection with AIM (or by the competent authority of any other regulated market or other stock exchange on which the shares of the Company may be listed).

5.25 Dividends and other distributions

Subject to the provisions of the Companies Law, the Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Board. Subject to the provisions of the Companies Law, the Board may pay interim dividends if it appears to the Board to be justified by the cash flow position of the Company. A general meeting declaring a dividend may, on the recommendation of the Board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets, including without limitation paid up shares or debentures of another body corporate. The Board may make any arrangements it thinks fit to settle any difficulty arising in connection with the distribution, including without limitation: (i) the fixing of the value for distribution of any assets; (ii) the payment of cash to any member on the basis of that value in order to adjust the rights of members; and (iii) the vesting of any asset in a trustee.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of all or any dividend specified by such ordinary resolution.

Except as otherwise provided by the rights attaching to or terms of issue of any shares, all dividends shall be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

No dividend or other monies payable in respect of a share shall bear interest against the Company, unless otherwise provided by the rights attached to the share.

The Board may deduct from any dividend or other monies payable to any member in respect of a share any monies presently payable by him to the Company in respect of that share. Where a person is entitled by transmission to a share, the Board may retain any dividend payable in respect of that share until that person (or that person's transferee) becomes the holder of that share.

Any dividend or other monies payable in respect of a share may be paid by, any direct debit, bank or other funds transfer system to the holder or person entitled to payment or, if practicable, to a person designated by notice to the Company by the holder or person entitled to payment; or by any other method approved by the Board and agreed by the holder or person entitled to payment including without limitation in respect of an uncertificated share by means of the relevant system (subject to the facilities and requirements of the relevant system).

Subject to applicable laws, any dividend or other monies unclaimed after a period of 12 years from the date on which it became payable shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

5.26 Capitalisation of profits and reserves

The Board may with the authority of an ordinary resolution of the Company (or a special resolution if required under the Companies Law) resolve to capitalise any undistributed profits of the Company not required for paying any preferential dividend or any sum standing to the credit of any reserve or other fund of the Company.

5.27 Winding-up

Under the Companies Law, except as provided by the rights and restrictions attached to any class of shares, the holders of Ordinary Shares will be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. Pursuant to the Articles, the Company may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in kind the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

5.28 Disclosure of beneficial ownership

Although the Companies Law does not contain equivalent provisions to section 793 of the 2006 Act, the Articles provide that, if at any time any holder of shares, or any other person (as appropriate) has been served with a disclosure notice from the Company and has not complied with such notice or supplied the information required to the Company within the relevant period, then certain restrictions will apply as follows:

- (a) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting or at any separate general meeting of the holders of any class of shares in the Company, or to exercise any other right conferred by membership in relation to meetings of the Company; or
- (b) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled unless otherwise determined by the board from time to time, in respect of those shares:
 - (i) to attend or to vote, either personally or by proxy, at any general meeting or at any separate general meeting of the holders of any class of shares in the Company, or to exercise any other right conferred by membership in relation to meetings of the Company; or
 - (ii) to receive any payment by way of dividend and no share shall be allotted in lieu of payment of a dividend; or
 - (iii) to transfer or agree to transfer any of those shares or any rights in them.

5.29 Distribution of assets in a liquidation

Pursuant to the Companies Law, subject to any enactment as to the order of payment of debts, the Company's property on a winding up will be applied in satisfaction of the Company's liabilities *pari passu* and any remaining property of the Company will be distributed among the members according to their rights and interests in the Company.

If the Company is wound up, the Directors or the liquidator (as the case may be) may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members shall have the right to dissent in writing within seven days of the passing of the resolution, requiring the liquidator either to abstain from carrying the resolution into effect or to purchase his interest at a price to be determined by agreement or arbitration.

The Directors or the liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as they/he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

5.30 Takeover Code provisions

The Articles provide that for as long as the Takeover Code does not apply to the Company and transactions in securities of the Company, a person must not acquire interests in securities of the Company (which has the meaning given in the Takeover Code) unless the acquisition is an acquisition:

- (a) to which the board has given its written consent; or
- (b) which is made in accordance with the applicable provisions of the Takeover Code as if it applied to the Company (including, for the avoidance of doubt: (i) an acquisition made in circumstances in which the Takeover Code, if it applied to the Company, would not require an offer or offers to be made as a consequence; and (ii) an acquisition made in the circumstances in which the Takeover Code, if it applied to the Company, would require an offer or offers to be made as a consequence and such offer(s) is (are) made in accordance with Rules 6, 9, 10, 11, 14 and 15 of the Takeover Code (to the extent applicable)).

Without limiting this requirement, when any person or persons acting in concert acquire interests in securities of the Company which, when taken together with any other share held or acquired by that person or persons acting in concert with him, carry 30 per cent. or more of the voting rights of the Company, or when a person or persons acting in concert holding between 30 per cent. and 50 per cent. of the voting rights of the Company acquire additional shares which increases his percentage of the voting rights, that person (and, depending on the circumstances, other members of his concert party) may be required (unless the Board gives its written consent to the acquisition) to make a general offer to the other Shareholders of the Company in accordance with the Takeover Code, including the provisions requiring a cash offer or cash alternative to be offered as consideration. This requirement is subject to certain exceptions, for example, where a person's shareholding is increased as a result of a share repurchase effected by the Company.

The Board has been vested with equivalent powers and discretions as those afforded to the Panel on Takeovers and Mergers under the Takeover Code, and has powers to disenfranchise Shareholders and enforce the sale of some or all of the shares held by a Shareholder in certain circumstances.

In the event that the Board recommends to Shareholders any offer made for any securities of the Company from time to time, the Board shall obtain the undertaking of the offeror(s) to comply mutatis mutandis with the provisions of the Takeover Code in the conduct and the execution of such offer.

The above is a summary only of certain provisions of the Articles. The full provisions of the Articles are available on the Company's website at www.starcomplc.com.

6. SHARE OPTION SCHEME

The Company operates the Share Option Scheme under which options over Ordinary Shares may be granted to directors and employees of members of the Group. A summary of the rules of the Share Option Scheme is set out below.

6.1 General

The Company adopted the Share Option Scheme on 19 February 2013. The Share Option Scheme will be administered under the direction of the Remuneration Committee. The Share Option Scheme will allow the grant of options to acquire fully paid Ordinary Shares to eligible employees, save that no options can be granted more than 10 years after adoption of the Share Option Scheme.

6.2 Eligible employees

Any employed director or employee of the Company or any company in the Group is eligible to receive grants under the Share Option Scheme. Non-executive directors are not eligible to receive grants. Options are non-transferrable except in the case of an optionholder's death, in which case outstanding options may be exercised by the personal representatives of the optionholder.

6.3 Scheme limits

The maximum number of shares in respect of which options can be granted under the Share Option Scheme when added to any other employee equity awards made over the 5 years preceding the date of grant is 10 per cent. of the Company's issued Ordinary Share capital. This limit excludes rights that

(i) have lapsed, been forfeited or released, (ii) will be met by the transfer of shares already in issue or (iii) are granted to replace an award over shares in a company acquired by the Company or any member of the Group.

6.4 Grant of options

The Remuneration Committee has absolute discretion to grant options to optionholders and to make options subject to any vesting conditions based on time and/or performance that it specifies. Options are generally expected to vest annually pro-rata over a three year period (i.e. one third per year). The grant of options will be evidenced by an option agreement. The exercise price of options will be set by the Remuneration Committee but must not be less than the market value of the Company's shares at the date of grant.

6.5 Performance conditions

The Remuneration Committee can specify any performance based conditions which must be met before options can be exercised. Such performance conditions can be waived or amended if the Remuneration Committee considers that different performance conditions would be a fairer measure of performance. The new performance conditions must be no more difficult to achieve than the old performance conditions were when imposed.

6.6 Exercise of options

Options can be exercised in whole or in part once they have vested in accordance with any time vesting schedule and/or performance conditions specified in the option agreement.

6.7 Lapse of options

Options will lapse on the tenth anniversary of the date of grant, the bankruptcy of the optionholder, a non-voluntary winding-up of the Company or the optionholder committing any act or omission which would entitle the Company to terminate the optionholder's office or employment without notice. Options also lapse following cessation of employment or a corporate transaction, as set out below.

6.8 Cessation of employment or office – “good leaver” reasons

In the event that an optionholder ceases to be an employee or officer of the Company or a Group company due to death, injury, disability, retirement, redundancy, a sale of the employing company or undertaking outside the Group or (at the sole discretion of the Remuneration Committee) any other reason:

- options will cease to vest but the Remuneration Committee may permit unvested rights to vest in full or in part; and
- options will lapse 12 months after the date of cessation (unless the Board exercises its discretion to permit the rights to be exercisable for a longer period).

6.9 Cessation of employment or office – other reasons

In the event that an optionholder ceases to be an employee or officer of the Company or a Group company for any reason other than those set out above, options will lapse immediately.

6.10 Corporate transactions

If any person (i) acquires control of the Company as a result of making a general offer to acquire the whole issued share capital of the Company, or (ii) acquires all or substantially all of the Company's business and assets, vested options can be exercised for 12 months (or if later during any time that person is bound or entitled to acquire the Company's shares under applicable legislation), following which they lapse.

If there is a compromise or arrangement under Part 18A of the Companies Law, vested options can be exercised within one month of court sanction, following which they lapse.

If the Company gives notice to its shareholders of a meeting at which a resolution for the voluntary winding-up of the Company is to be proposed, vested options can be exercised prior to but conditional upon passing of the resolution, failing which they lapse on passing of the resolution.

The Remuneration Committee will have the discretion to accelerate vesting and permit optionholders to exercise their options before the date of the relevant corporate transaction. The Remuneration Committee can also procure that the optionholder will be granted new rights in substitution for their existing options, provided that the new rights are no less valuable overall than the prior rights.

If there is any variation in the share capital of the Company, options will be adjusted in such manner as the Remuneration Committee considers appropriate.

6.11 Amendments

The Remuneration Committee may alter the rules of the Share Option Scheme from time to time except that no alteration or addition may be made to the advantage of optionholders without the approval of the Company in general meeting, unless it is a minor amendment to benefit the administration of the Share Option Scheme. Additionally, no amendment can be made which would adversely affect the rights of optionholders without their consent.

6.12 Tax withholding

The Share Option Scheme permits the employing company to withhold or collect from optionholders a sum equal to the income tax and employee social security contributions (if any) for which the employing company must account under any withholding tax system. The Company has the right to sell shares acquired through the exercise of options in order to obtain funds to operate withholding.

7. DIRECTORS

7.1 Details of the Directors, their business address and their functions in the Company are set out on page 5 of this document under the heading "Directors, Secretary and Advisers". Each of the Directors can be contacted at the principal place of business of the Company at The Twin Towers, Building One, 33 Jabotinsky Street, 52511, Ramat Gan, Israel.

7.2 In addition to their directorships of the Company, the Directors are currently or have within the five years prior to the date of this document been directors or partners of the following companies and partnerships:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Michael Rosenberg	Alternatport Limited Amiad Filtration Systems Limited Catalyst Media Holdings Limited Catalyst Media Group Plc D.F. (Overseas) Limited David Frost Enterprises Limited David Paradine Limited David Paradine Productions Limited David Paradine Ventures Limited Discovery Productions Limited Dori Media Group Limited Eastkings Limited Glebe Music Company Limited Grumpyoldfriends.com Limited Magnet Films Limited Montrose Securities Limited Montrose Ventures Limited SRK Venture Limited	Boomerang Media Limited Boomerang Media Group Limited Catalyst Media Services Limited Guaranteed Property (1) Limited Guaranteed Property (2) Limited Guaranteed Property (3) Limited Guaranteed Property (4) Limited Stable Technologies Investments Limited Newsplayer Group Limited Newsplayer Limited Retreat Films Limited Satellite Information Services Holdings Limited Videotv plc

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Michael Rosenberg (continued)	Paradine Co-Productions Limited Photon Kathaas Productions Limited Pilat Media Global Plc Spoof.com Limited Talsarn Investments Limited The Guaranteed Investment Property Company plc Tele-Circuit Limited Umedco (Far East) Limited	
Avraham Hartmann	Brono SA Mamagli LCC Sphinxtel SA Starcom Euroasia SA Starcom Fareast SA Starcom Systems SA	N/A
Eitan Yanuv	Implement Limited iPoint plc Servision Plc	Digitek Holdings Limited
Martin Bloom	Bloom & Tse Limited CLC Ventures Limited Emblem Technology Partners Limited Emblem Ventures Ltd Enterprise Accelerator Limited Enterprise Accelerator Limited Eton Court Limited Intelligent Energy Holdings Public Limited Company Lisa Tse Ventures Ltd Martin Bloom Photography Limited Oled Power Limited ReneSola Ltd	CAP Partners LLP Space2bee Limited

- 7.3 Michael Rosenberg was previously a director of Pilotglow Limited, a company which was put into compulsory liquidation on 29 June 1988 and subsequently dissolved on 18 June 2002.
- 7.4 Michael Rosenberg was previously a director of B. Rosenberg Limited, a company which was dissolved via a creditors voluntary liquidation on 29 June 2006.
- 7.5 Save as disclosed in paragraphs 7.3 and 7.4 above, as at the date of this document, no Director:
- (a) has any unspent convictions in relation to indictable offences;
 - (b) has been declared bankrupt or been subject to any individual voluntary arrangement;
 - (c) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which has entered into a company voluntary arrangement or a composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

- (d) has been a partner in any partnership which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) has had any asset belonging to him placed in receivership or has been a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body); or
- (g) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

8. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

8.1 The following agreements have been entered into between the Directors and the Company:

(a) **Avraham Hartmann**

Avraham Hartmann has entered into a service agreement with the Company dated 19 February 2013 setting out the terms of his appointment as chief executive officer. The service agreement is conditional on Admission. The agreement provides for the payment by the Company to Avraham Hartmann of a salary of ILS 540,000 per annum. Under the agreement, Avraham Hartmann is also entitled to a car allowance, pension contributions, private medical insurance and 30 days holiday per annum. Either party may terminate the agreement on six months' notice. The agreement imposes certain restrictions on Avraham Hartmann as regards the use of confidential information and intellectual property. In addition, Avraham Hartmann will be subject to certain restrictive covenants following the termination of the agreement.

(b) **Eitan Yanuv**

Eitan Yanuv has entered into a service agreement with the Company dated 19 February 2013 setting out the terms of his appointment as chief financial officer. The service agreement is conditional on Admission. The agreement provides for the payment by the Company to Eitan Yanuv of a salary of ILS 300,000 per annum, in respect of 2.5 days' work per week. Either party may terminate the agreement on three months' notice. The agreement imposes certain restrictions on Eitan Yanuv as regards the use of confidential information and intellectual property. In addition, Eitan Yanuv will be subject to certain restrictive covenants following the termination of the agreement.

(c) **Michael Rosenberg**

Michael Rosenberg has entered into a letter of appointment with the Company dated 19 February 2013 setting out the terms of his appointment as non-executive chairman. The letter of appointment is conditional on Admission. Under the letter of appointment, Michael Rosenberg is entitled to an annual fee of £35,000 and reimbursement of reasonable expenses but no other remuneration. Fees are paid to Michael Rosenberg's service company, Eastkings Limited. The appointment may be terminated at any time by either party giving three months' notice. The agreement imposes certain restrictions on Michael Rosenberg as regards the use of confidential information and intellectual property.

(d) **Martin Bloom**

Martin Bloom has entered into a letter of appointment with the Company dated 19 February 2013 setting out the terms of his appointment as non-executive director. The letter of appointment is conditional on Admission. Under the letter of appointment, Martin Bloom is entitled to an annual fee of £30,000 and reimbursement of reasonable expenses but no other remuneration. The appointment may be terminated at any time by either party giving three months' notice. The agreement imposes certain restrictions on Martin Bloom as regards the use of confidential information and intellectual property.

- 8.2 Save as set out in this paragraph 8, there are no existing or proposed service agreements, consultancy agreements or letters of appointment between any of the Directors and any member of the Group.
- 8.3 There are no arrangements under which any Director has agreed to waive future emoluments nor have there been any waivers of such emoluments during the financial year immediately preceding the date of this document.

9. DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

- 9.1 The interests (all of which are beneficial, unless otherwise stated) of the Directors (including, so far as is known to the Directors having made appropriate enquiries, the interests of any persons connected with the Directors within the meaning of section 252 of the 2006 Act) in the Existing Share Capital as at the date of this document and as they will be immediately following Admission are as follows:

At the date of this document

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Share Capital</i>
Avraham Hartmann	18,783,334	33.34
Eitan Yanuv	—	—
Michael Rosenberg	—	—
Martin Bloom	—	—

At Admission

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Avraham Hartmann	18,783,334	26.42
Eitan Yanuv	—	—
Michael Rosenberg	25,000	0.04
Martin Bloom	—	—

- 9.2 Immediately following Admission, the Directors will have the following options over Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Date of grant</i>	<i>Exercise price</i>	<i>Exercise period</i>
Avraham Hartmann	—	—	—	—
Eitan Yanuv	—	—	—	—
Michael Rosenberg	711,000	19 February 2013	20p	Ten years
Martin Bloom	711,000	19 February 2013	20p	Ten years

- 9.3 Each of the options granted to the Directors in the table above were granted on 19 February 2013, conditional upon Admission, at the Placing Price, and vest in equal tranches over three years starting on the first anniversary of Admission. The terms regarding lapse, cessation of service, corporate transactions and tax withholding, as described in paragraph 6 of this Part VI, apply to the Directors' options. In the event options are issued to non-executive directors, they do not count towards the limit referred to in paragraph 6.3 of this Part VI.
- 9.4 Save as disclosed in this paragraph 9, no Director has any interest (whether beneficial or non-beneficial) in the share or loan capital of the Company or any other member of the Group nor (so far as is known to the Directors having made appropriate enquiries) does any person connected with any of the Directors within the meaning of section 252 and section 820 of the 2006 Act have any such interest (whether beneficial or non-beneficial).
- 9.5 None of the Directors nor (so far as is known to the Directors having made appropriate enquiries) any person connected with any of the Directors within the meaning of section 252 and section 820 of the

2006 Act holds a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

- 9.6 Starcom Israel has granted a lien dated 13 January 2011 (with no amount limit) in favour of Bank of Jerusalem, covering Starcom Israel's rights related to three Alfa Romeo vehicles (2011 model), including the related benefits arising from insurance proceeds. Starcom Israel may not transfer, lease or impose any lien on the collateral without the prior written consent of the bank. This lien relates to the debts of Avraham Hartmann, Doron Kedem and Uri Hartmann, which have been used to purchase vehicles, and which the Company will repay on behalf of such individuals. It is common in Israel, for the sake of retaining a vehicle's value, to have a company car registered in an individual's name, rather than the company's name. Save for the above car loans, there are no outstanding loans or guarantees granted or provided by the Company or any other member of the Group to or for the benefit of any of the Directors.
- 9.7 No Director has or has had any interest, whether direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- 9.8 No Director has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Company or any other member of the Group during the current or immediately preceding financial year or which was effected by the Company or any other member of the Group during any earlier financial year and remains in any respect outstanding or unperformed.
- 9.9 No Director has any conflict of interest (or potential conflict of interest) between any of the duties owed by him to the Company and his private interests or any duties owed by him to third parties.
- 9.10 Details of any restrictions agreed by the Directors with regard to the disposal of their holdings in the Company's securities are set out in paragraph 11.4 of this Part VI.

10. MAJOR SHAREHOLDERS

- 10.1 In addition to the interests of the Directors disclosed in paragraph 9 above, the Directors are aware of the following persons who are, as at the date of this document, or immediately following Admission will be interested, directly or indirectly in 3 per cent. or more of the Company's issued share capital or voting rights:

As at the date of this document

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Share Capital</i>
Doron Kedem	18,783,333	33.33
Uri Hartmann	18,783,333	33.33

At Admission

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Doron Kedem	18,783,333	26.42
Uri Hartmann	18,783,333	26.42
J.M. Finn & Co Limited	5,000,000	7.03
Miton Diverse Income Trust – C	2,250,000	3.16

- 10.2 None of the persons interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital or voting rights has voting rights which are different from other Shareholders.
- 10.3 The Founders, as major shareholders of the Company who between them will hold 79.25 per cent. of the Enlarged Share Capital, have entered into a relationship agreement to regulate their dealings with the Company, further details of which are set out in paragraph 11.5 of this Part VI.

- 10.4 Save as disclosed in this paragraph 10 the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 10.5 So far as the Directors are aware, there are no arrangements in place, the operation of which may at a later date result in a change of control of the Company.

11. MATERIAL CONTRACTS

11.1 Introduction

This paragraph 11 contains summaries of the contracts (not being contracts entered into in the ordinary course of business):

- (a) which have been entered into by any member of the Group in the two years immediately preceding the date of this document and are or may be material; or
- (b) which have been entered into by any member of the Group and contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

11.2 Nominated adviser and broker agreement

On 19 February 2013 the Company entered into an agreement with Northland pursuant to which the Company appointed Northland to act as nominated adviser and broker to the Company with effect from Admission. The agreement is for a minimum period of 12 months from the date of Admission and continues thereafter until terminated by either party giving not less than three months notice.

11.3 Placing Agreement

On 19 February 2013 the Company entered into the Placing Agreement with Northland, the Directors and the Founders pursuant to which Northland has agreed, subject to certain conditions, as agent for the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional, amongst other things, on Admission taking place on or before 27 February 2013 (or such later date as Northland and the Company may agree, but in any event not later than 8 March 2013).

The Placing Agreement contains certain warranties by the Company, the Directors and the Founders in favour of Northland, including as to the accuracy of the information contained in this document, certain financial information and other matters relating to the Group and its businesses. The liability of the Directors and the Founders under these warranties is limited in time and amount but the Company's liability is unlimited. In addition, the Company has agreed to indemnify Northland in respect of any losses, damages and liabilities incurred by Northland resulting from the carrying out by Northland of its obligations or services under the Placing Agreement or otherwise in connection with the Placing and Admission.

Northland is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement, a material breach of any of the warranties contained in the Placing Agreement, the occurrence of a material adverse change in the financial position or prospects of the Group or the occurrence of other circumstances materially prejudicial to the successful outcome of the Placing.

The Placing Agreement provides for the payment by the Company to Northland of a corporate finance fee and a commission on the value of the Placing Shares at the Placing Price together in each case with any applicable VAT, and also the entry by the Company into the Option Agreement. The Placing Agreement also provides for the Company to pay all costs, charges and expenses of, or incidental to, the Placing and Admission including all accountancy, legal and other professional fees and expenses.

11.4 Lock-in and orderly market agreements

On 19 February 2013, the Company and Northland entered into lock-in deeds with the Directors and the Founders pursuant to which each has undertaken to the Company and Northland that, subject to limited exceptions, he will not dispose of any interest in Ordinary Shares during the period of 12 months from Admission. The limited exceptions include the acceptance of a takeover offer for the Company, the execution of an irrevocable commitment to accept such an offer, a disposal by a Director or Founder to a member of his immediate family or to a trust established for the benefit of members of his immediate family, a disposal following the death of a Director or Founder to his personal representatives or to the beneficiaries of his estate and a disposal pursuant to a court order.

Each Director and Founder has also undertaken that, during the period of 12 months from the first anniversary of the date of Admission, he will not dispose of any Ordinary Shares unless such disposal is made on an orderly market basis through the Company's broker from time to time.

The Ordinary Shares to be issued to Hagshama pursuant to the Hagshama Loan Agreement are also subject to limitations on sale, further details of which can be found at paragraph 11.8 of this Part VI.

11.5 Relationship agreement

The Founders have entered into an agreement with the Company and Northland, conditional upon Admission, pursuant to which the Founders have agreed, *inter alia*, to refrain from exercising, and to procure that their associates refrain from exercising, their voting rights: (i) in relation to any board or shareholder resolution in which any Founder or any associate has an interest; (ii) in order to frustrate the Company's compliance with the AIM Rules for Companies; or (iii) to secure the appointment of Board members without the approval of the independent members of the Board. The agreement subsists until the Founders between them hold less than 30 per cent. of the issued share capital of the Company. It cannot be amended without the sanction of a 75 per cent. vote of independent Shareholders.

11.6 Top Alpha arrangements

On 3 August 2011, Starcom Israel entered into a loan agreement pursuant to which it borrowed US\$200,000 from Top Alpha Capital S.M. Limited ("Top Alpha") on the basis that interest and an inflation adjustment would be payable for 12 months from September 2011, following which the principal would be repaid over the following 10 months. The loan agreement was secured over the assets of Starcom Israel by three separate liens dated 26 September 2011. The loan agreement contained a provision requiring Starcom Israel to use the services of Top Alpha with respect to any listing of Starcom Israel's stock or that of its parent on a stock exchange prior to July 2013, in return for a commission of 9 per cent. of funds raised. The requirement to use Top Alpha's services was terminated by agreement dated 28 June 2012 in consideration for (i) a payment of US\$80,000 for past consulting and referral services (ii) repayment of the loan (which was effected in October 2012); and (iii) grant of an option over 1 per cent. of the share capital of Starcom Panama on a fully diluted basis. The option does not provide for novation in the event of a restructuring as will complete upon Admission.

11.7 Mul-T-Lock agreement

On 15 December 2009, Starcom Israel entered into an agreement with Mul-T-Lock for the development of an 'Integrated System' comprising Mul-T-Lock's locks and Starcom tracking systems. Under the terms of the agreement, each party will sell to the other party the component that is manufactured and delivered by such party and which is required for the manufacture and/or assembly of the Integrated System, at a price that equals the SAP Cost (the cost of the finished goods or a portion thereof) of each party plus 15 per cent. (excluding VAT).

The initial term of the agreement is 4 years (until 15 December 2013) and thereafter for an unlimited period terminable on 6 months written notice (save in the case of an unrectified or fundamental breach or insolvency proceedings). During the term of the agreement, Starcom Israel will not supply the tracking system to any other manufacturer and/or supplier and/or lock marketer in order to market the Integrated System and Mul-T-Lock provides an equivalent undertaking in relation to the locking

device. The agreement also provides that, for an initial period of 24 months from when the commercial marketing begins for the Integrated System (which occurred in May 2012), Mul-T-Lock will be the exclusive marketer of the Integrated System for Israel and the Palestinian Authority.

The difference between the net sales price of the Integrated Systems (sales minus returns) that are sold by either party during each quarter, and the cost of Integrated Systems that are sold during each quarter, is divided between the parties on an equal basis, so that each party is entitled to 50 per cent. of the difference between the consideration that is received in connection with the sale of the Integrated Systems during such quarter by the other party, in accordance with the agreed sales price of Integrated Systems, minus the SAP Cost of the selling party. The purchaser will be charged separately for user fees (to use the tracking software developed by Starcom Israel), and this part of the price is not included in the SAP Cost calculations.

Mul-T-Lock is entitled to receive a commission at the rate of 30 per cent. of the software usage fees for each Integrated System that Mul-T-Lock sells (there is no limit of time). The remaining 70 per cent. is delivered to Starcom Israel.

11.8 Hagshama Loan Agreement and Hagshama Agreement

On 26 March 2012, Hagshama, Starcom Israel, Starcom Panama, Avi Hartmann and Doron Kedem entered into a loan agreement governed by Israeli law. All of Starcom Israel's obligations under the Hagshama Loan Agreement are guaranteed by Starcom Panama.

The terms of the Hagshama Loan Agreement provide for interest at 0.8 per cent. per month and repayment of the principal and interest in four annual payments starting on 25 May 2013, with the final repayment on 25 May 2016 (subject to an ability to defer the final repayment date to 25 May 2017). Early repayment is possible, subject to an amount of \$50,000 becoming payable in respect of expenses if it is repaid prior to 25 May 2014.

The Hagshama Loan Agreement provides that Hagshama will loan Starcom Israel US\$1 million and will invest US\$50,000 in Starcom Israel. In consideration for the investment Starcom Israel was required to issue 10 per cent. of the issued share capital of Starcom Israel to Gabriel Danon as trustee, to be transferred to Hagshama in various tranches. Furthermore, as security for the repayment of the loan amounts, Hagshama was granted a fixed charge over an additional 10 per cent. of the issued share capital of Starcom Israel, such shares to be held on trust by Gabriel Danon.

At the date hereof, only one tranche has transferred, representing 3.3 per cent. of the issued share capital of Starcom Israel, and Gabriel Danon is holding 16.7 per cent. in trust according to the terms of the Hagshama Loan Agreement.

On 19 February 2013 Starcom Israel and the Company agreed with Hagshama pursuant to the Hagshama Agreement that upon Admission the Company will issue 1,150,000 Ordinary Shares to Hagshama and repay the loan and Hagshama and Gabriel Danon will transfer their respective shares in Starcom Israel to the Company, following which no further rights or obligations exist under the Hagshama Loan Agreement save as set out below. The Ordinary Shares to be issued to Hagshama upon Admission are subject to limitations on sale (the extent of which are not defined in the Hagshama Loan Agreement) for a period of six months from Admission.

The remaining terms of the Hagshama Loan Agreement provide that within 6 months following Admission, the Company will be entitled (but not obliged) to acquire Hagshama's Ordinary Shares for a purchase price to be calculated on the basis of an US\$18 million valuation, subject to certain adjustments if the Company's market value is in excess of US\$23 million and if for any reason the sums due to be repaid to Hagshama following Admission are not repaid then the Company shall issue to Gabriel Danon (in trust in accordance with the Hagshama Agreement) additional Ordinary Shares in the amount set out in the Hagshama Agreement.

11.9 Greenlight agreement

Starcom Israel and Starcom Panama entered into an undated agreement with Greenlight to engage Greenlight to act as an intermediary and facilitate a public offering of Starcom on the London Stock

Exchange. Greenlight is required to provide such services until the completion of the public offering. Upon Admission, Greenlight is entitled to a commission of 4 per cent. of the total amount of the Placing and options at the Placing Price in respect of such number of Ordinary Shares as represent 4 per cent. of the number of Placing Shares (as referred to in paragraph 11.11 below).

11.10 Northland option agreement

The Company has entered into an option agreement with Northland dated 19 February 2013 pursuant to which the Company has granted to Northland, conditional upon completion of the Placing and Admission, an option to subscribe at the Placing Price for 1,066,500 Ordinary Shares, being the number of Ordinary Shares which equal 1.5 per cent. of the Enlarged Share Capital. The option is exercisable at any time, in whole or in part (subject to certain formalities), from the Admission Date up to the fifth anniversary of the Admission Date. The option will lapse and cease to be exercisable after the fifth anniversary of the Admission Date.

11.11 Greenlight option agreement

The Company has entered into an option agreement with Greenlight dated 19 February 2013 pursuant to which the Company has granted to Greenlight, conditional upon completion of the Placing and Admission, an option to subscribe at the Placing Price for 544,000 Ordinary Shares, being the number of Ordinary Shares which equal 4 per cent. of the number of Placing Shares. The option is exercisable at any time, in whole or in part (subject to certain formalities), from the Admission Date up to the first anniversary of the Admission Date. The option will lapse and cease to be exercisable after the first anniversary of the Admission Date.

11.12 Asset purchase agreement

On 19 February 2013, the Company and Starcom Panama entered into an agreement pursuant to which Starcom Panama agreed to transfer to the Company the entire business and assets of Starcom Panama, including the holding of Starcom Panama in Starcom Israel. The agreement contains customary warranties in respect of title. Starcom Jersey agrees to discharge the liabilities and obligations of Starcom Panama with respect to the aforesaid business, assets and liabilities, with effect from completion of the agreement which will take place after the date of this document, but prior to Admission.

11.13 Copyright assignment

On 19 February 2013 Starcom Israel and Uri Hartmann entered into a copyright assignment, pursuant to which Uri Hartmann assigned to Starcom Israel all of the copyright he held in respect of the Group's systems and software.

11.14 Non-executive directors' options

The Company has granted options to the non-executive directors as further described in paragraph 9.2 of this Part VI.

11.15 Administration Agreement

On 19 February 2013, the Company entered into an administration agreement with Appleby Trust (Jersey) Limited ("Appleby") pursuant to which Appleby agreed to provide certain administrative and secretarial services to the Company. The agreement contains various undertakings by the Company, for example, in relation to the legality of the Company's assets and activities. Either party is entitled to terminate the agreement on one month's notice.

12. COMPARISON BETWEEN ENGLISH AND JERSEY LAWS

There are a number of differences between company law in England and company law in Jersey, which may impact upon the holders of Ordinary Shares. However, where permitted by the Companies Law and considered to be appropriate, rights and protections similar to those provided to shareholders under

English law have been conferred on holders of Ordinary Shares by the Articles, including as described in the summary of certain provisions of the Articles set out in paragraph 5 of this Part VI.

Key differences between company law in England and company law in Jersey include (without limitation) the following:

- (a) the Companies Law does not confer statutory pre-emption rights on shareholders relating to new share issues; however, pre-emption rights broadly based on the provisions of the 2006 Act have been enshrined in the Articles;
- (b) under the Companies Law, the directors of a company do not need the sanction of the shareholders to issue and allot shares; however, the requirement to obtain such sanction has been enshrined in the Articles;
- (c) Jersey law allows for partly paid shares to be allotted even if they are not paid up to at least one quarter of its nominal value;
- (d) under the Companies Law, any change to the authorised share capital of the Company requires a special resolution (by a majority of two-thirds of the votes) rather than an ordinary resolution (a simple majority);
- (e) under the Companies Law a special resolution is required to be passed by two-thirds of shareholders present (in person or by proxy) at the relevant meeting, compared with a three-quarters majority required under English law. Thus, for example, a buy-back of shares requiring the sanction of a special resolution will only require a two-thirds majority instead of a three-quarters majority;
- (f) the circumstances in which the Companies Law permits a Jersey company to indemnify its directors in respect of liabilities incurred by its directors in carrying out their duties are limited, and differ slightly to the analogous rules under English law. There is, however, no general prohibition on the granting of loans by a company to its directors (but directors remain subject to fiduciary duties when considering the grant of any such loans) and any costs incurred in defending any proceedings which relate to anything done or omitted to be done by that director in carrying out his duties may be funded by way of loans;
- (g) Jersey law does not require that shareholders approve compensation payments made to directors for loss of office, whereas under English law a payment by a company for loss of office to a director of a company or its holding company must be approved by a resolution of shareholders;
- (h) unless the articles of association of a public company provide otherwise, proxies are not entitled to speak or vote on a show of hands under Jersey law. Jersey law does not permit the appointment of more than one corporate representative by a member in respect of the same shareholding;
- (i) any general meeting of a Jersey company may be convened on 14 days' notice (rather than 21 days' notice required under English law in certain circumstances, including for the passing of a special resolution);
- (j) the Companies Law does not require the directors of a Jersey company to disclose to the company their beneficial ownership of any shares in the company (although they must disclose to the company the nature and extent of any direct or indirect interest which conflicts, or may conflict to a material extent with, a transaction into which the company or any of its subsidiaries is proposing to enter);
- (k) the Companies Law does not grant the directors of a Jersey company a statutory power to request information concerning the beneficial ownership of shares, but powers based on section 793 of the 2006 Act have been incorporated into the Articles entitling the Directors to request information to establish details of interests in shares in the Company;
- (l) under the Companies Law, shareholders holding not less than one-tenth of the total voting rights of the shareholders of the Company may requisition a meeting of shareholders (whereas under the 2006 Act, this right may be exercised by shareholders representing at least 10 per cent. of the paid up voting capital of a company);
- (m) the Companies Law does not confer on members the right to an independent scrutiny of a poll taken, or to be taken, at a general meeting, nor does it confer rights on members to require a company to circulate resolutions proposed to be moved by members at the next annual general meeting, or to circulate explanatory statements relating to any matter relating to a proposed resolution at a general meeting, or rights for a nominee holder of shares to have information rights granted to the underlying

beneficial owner of the share;

- (n) there is no restriction on donations by a company to political organisations under Jersey law;
- (o) under the Companies Law, at a meeting of shareholders a poll may be demanded in respect of any question by:
 - (i) no fewer than five shareholders having the right to vote on the question; or
 - (ii) a shareholder or shareholders representing not less than one tenth of the total voting rights of all shareholders having the right to vote on the question (whereas, under the 2006 Act, a shareholder or shareholders representing 10 per cent. of the total sum paid up on all shares giving the right to vote may also demand a poll);
- (p) Jersey companies are permitted to make distributions to shareholders without reference to distributable reserves. Instead, distributions may be made out of a company's assets (other than its nominal capital account or any capital redemption reserve), provided the directors approving the distribution give the appropriate solvency statement required by the Companies Law (to the effect that the company will be able to continue its business and meet its liabilities as they fall due for the next 12 months);
- (q) a Jersey company's redeemable shares may be redeemed out of any capital source which, in particular, allows shares to be redeemed in whole or in part out of share capital accounts without the need for capital redemption reserves, provided such shares are fully paid;
- (r) a Jersey company may, by special resolution, apply a capital redemption reserve in issuing shares to be allotted as fully paid bonus shares;
- (s) under Jersey law, it is harder for shareholders to bring a derivative claim against a company than is the case under the 2006 Act. However, Jersey law includes an equivalent provision relating to protection of shareholders against unfair prejudice and Jersey has (subject to certain exceptions) a broadly similar position under customary law to the common law position under English law; and
- (t) under Jersey law, the two principal procedures for dissolving a Jersey company are winding up and "desastre", pursuant to the Bankruptcy (Desastre) Jersey Law 1990. Concepts such as receivership, administration and voluntary arrangements do not exist under Jersey law. The concept of a winding up is broadly similar to that under English law, except that under Jersey law, a winding up may only be commenced by the Jersey company and not by one of its creditors. If the company is solvent the winding up will be a summary winding up. If the company is insolvent, the winding up will be a creditors' winding up. A creditor wishing to dissolve a Jersey company would seek to have the company's property declared en desastre (literally meaning "in disaster"). If the company's property is declared en desastre, all of the powers and property of the company (whether present or future or situated in Jersey or elsewhere) are vested in the Viscount (an officer of the court). The role of the Viscount is similar to that of a liquidator. The Viscount's principal duty is to act for the benefit of the company's creditors. He is not under an obligation to call any creditors' meetings, although he may do so.

This list is intended to be illustrative only and does not purport to be exhaustive or to constitute legal advice. Any shareholder wishing to obtain further information regarding his rights as a holder of Ordinary Shares under Jersey law should consult his Jersey legal advisers.

Following and subject to Admission, the Company will be required to comply with the AIM Rules for Companies (including rules relating to related party transactions, and significant transactions) and the Disclosure Rules and Transparency Rules. In certain of the instances where the AIM Rules for Companies and the Disclosure Rules and Transparency Rules apply differently to an overseas company, provision has been made in the Articles to apply the rules as if the Company was a company incorporated in the UK.

The Company has adopted a share dealing code which conforms with the requirements of Rule 21 of the AIM Rules for Companies. It should be noted that insider dealing legislation set out in the UK Criminal Justice Act 1993, as well as provisions relating to market abuse, will apply to the Company and dealings with Ordinary Shares, alongside the relevant provisions of Jersey law.

13. TAXATION – UK

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HM Revenue and Customs practice. Any person who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his own professional adviser immediately.

13.1 Tax treatment of the Company

The following information is based on the law and practice currently in force in the UK.

Provided that the Company is not resident in the UK for taxation purposes and does not carry out any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation on its income and gains, other than in respect of interest and other income received by the Company from a UK source (to the extent that it is subject to withholding taxes in the UK).

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

13.2 Tax treatment of UK investors

The following information, which relates only to UK taxation, is applicable to persons who are resident or ordinarily resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- (a) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of the classes of shares in the Company; or
- (b) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- (c) who are in any doubt as to their taxation position.

Such persons should consult their professional advisers without delay, and should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the ordinary share capital of the Company should note the provisions of the Controlled Foreign Companies legislation contained in Sections 747–756 of the Income and Corporation Taxes Act 1988.

Shareholders who are neither resident nor ordinarily resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

13.3 Dividends

Shareholders will receive income distributions from the Company without deduction of withholding tax.

Where the Company pays dividends, Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

Shareholders who are individuals, depending on their circumstances, should be entitled to a UK tax credit in respect of any dividend paid. The tax credit will equal one ninth of the amount of dividend paid (including any withholding tax imposed). The income tax payable in respect of the dividend will be based on the amount of dividend paid (including any withholding tax imposed) plus the UK tax credit multiplied by the relevant income tax rate. The individual should be entitled to deduct from the income tax payable the UK tax credit and any withholding tax imposed. However, if the income tax payable is less than the UK tax credit plus any withholding tax, the excess is not repayable, nor can be used against any other income tax liability.

The effective rate of UK income tax on the gross dividend (the aggregate of the dividend received and the tax credit) is zero per cent. for individuals taxable at the dividend ordinary rate, 25 per cent. for individuals taxable at the dividend upper rate and approximately 36.11 per cent. for individuals taxable at the dividend additional rate. From 6 April 2013, the effective rate will reduce to 30.55 per cent. for individuals taxable at the dividend additional rate.

A Shareholder who is an individual resident in the UK and who is not domiciled in the UK who receives dividends on Ordinary Shares which are not remitted to the UK may benefit from the remittance basis of UK taxation. Such individuals should consult their own tax advisers concerning their UK tax liability.

Shareholders who are subject to corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

13.4 Disposals of Ordinary Shares

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Individual shareholders who are UK resident, ordinarily resident or only temporarily non-UK resident may be subject to capital gains tax on any gain made on disposal of shares, without any indexation allowance, subject to the availability of any annual exemption or allowable losses. The rate of tax will be 18 per cent. for taxpayers taxable at the basic rate and 28 per cent. for taxpayers subject to taxation at the upper or additional rate.

A shareholder who is an individual resident in the UK and who is not domiciled in the UK who makes gains on the disposal of Ordinary Shares where the proceeds are not remitted to the UK may benefit from the remittance basis of UK taxation. Such individuals should consult their own tax advisers concerning their UK tax liability.

13.5 Further information for Shareholders subject to UK income tax and capital gains tax

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 (Transfer of Assets Abroad) of Part 13 of the Income Tax Act 2007, which seek to prevent the avoidance of income tax in circumstances where an individual who is resident in the UK makes a transfer of assets abroad but retains the ability to enjoy the income arising from those assets. This could include the acquisition of shares in a non-UK incorporated company and any undistributed income of the company such that the income could be attributed to, and be taxed in the hands of, the shareholder. This legislation should not apply where it can be demonstrated that there are bona fide commercial reasons for the arrangement.

There are also other anti-avoidance provisions in the UK tax legislation which may potentially affect shareholders in non-UK resident companies, and Shareholders should consult their professional advisers regarding the effect of UK tax anti-avoidance legislation in general.

13.6 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty will be payable on the issue of Ordinary Shares. An instrument effecting or evidencing the issue or transfer of Ordinary Shares which is executed in the UK or, where executed outside of the UK, which relates to any matter or thing done in the UK may not, except in criminal proceedings, be given in evidence or be available for any purpose in the UK unless it is duly stamped. Whether or not an instrument is stamped, however, will not affect the registration of the transfer in the Company's registers of Ordinary Shares so long as that register is kept outside of the UK. No SDRT will be chargeable on the issue or transfer of the Ordinary Shares where the Company's register of Ordinary Shares is kept outside of the UK.

Any Shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser without delay.

14. TAXATION – JERSEY

The Directors intend to conduct the Company's affairs such that, based on current law and practice of the relevant tax authorities, the Company will not become resident for tax purposes in any other territory other than Jersey. It is assumed that the Company does not become resident in a territory other than Jersey.

14.1 General

Under current Jersey law, there are no capital gains, capital transfer, gift, wealth or inheritance taxes or any death or estate duties. No stamp duty is levied in Jersey on the issue, conversion, redemption or transfer of Ordinary Shares. On the death of an individual holder of Ordinary Shares (whether or not such individual was domiciled in Jersey), duty at rates of up to 0.75 per cent. of the value of the relevant Ordinary Shares may be payable on the registration of any Jersey probate or letters of administration which may be required in order to transfer, convert, redeem or make payments in respect of, Ordinary Shares held by a deceased individual sole shareholder.

14.2 Income tax – the Company

Under the Income Tax (Jersey) Law 1961 (as amended) (the “Tax Law”), from 1 January 2009, the standard rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey will be 0 per cent. (“zero tax rating”). Certain exceptions from zero tax rating apply, namely:

- (a) companies which are regulated by the Jersey Financial Services Commission under certain sections of the Financial Services (Jersey) Law 1998, the Banking Business (Jersey) Law 1991 or the Collective Investment Funds (Jersey) Law 1988, shall be subject to income tax at a rate of 10 per cent. (these companies are defined as “financial services companies” in the Tax Law);
- (b) specifically identified utility companies shall be subject to income tax at a rate of 20 per cent. (these companies are defined as “utility companies” in the Tax Law); and
- (c) any income derived from the ownership or disposal of land in Jersey shall be subject to income tax at a rate of 20 per cent.

It is anticipated that the Company will be subject to a zero tax rating.

14.3 Income tax – Shareholders

Persons holding Ordinary Shares in the Company who are not resident for income tax purposes in Jersey are not subject to taxation in Jersey in respect of any income or gains arising in respect of Ordinary Shares held by them.

Shareholders who are resident for income tax purposes in Jersey will be subject to income tax in Jersey at the standard rate of 20 per cent. on any dividends paid on Ordinary Shares held by them

or on their behalf and income tax will be deducted by the Company on payment of any such dividends.

The provisions of Article 134A of the Tax Law may, in certain circumstances, render investors who are resident in Jersey liable to income tax on the undistributed income of the Company.

14.4 Withholding tax – the Company

For so long as the Company holds zero tax rating, no withholding in respect of Jersey taxation will be required on payments in respect of the Ordinary Shares to any holder of the Ordinary Shares not resident in Jersey.

14.5 Goods and Services Tax

Pursuant to the Goods and Services Tax (Jersey) Law 2007 (the “2007 Law”), tax at a rate which is currently 3 per cent. applies to the supply of retail goods and services, unless the relevant supplier or recipient of such goods and services is registered as an “international services entity”.

The Company is an “international services entity” within the meaning of the 2007 Law, having satisfied the requirements of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008, as amended and, as long as it continues to be such an entity, a supply of goods or of a service made by or to the Company shall not be a taxable supply for the purposes of the 2007 Law.

14.6 European Union Saving Tax Directive

Jersey is not subject to the European Union, or EU, Council Directive (2003/48) on the Taxation of Savings Income, or the EU Savings Tax Directive. However, in keeping with Jersey’s policy of constructive international engagement and in line with steps taken by other relevant third countries, the States of Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey (the terms “beneficial owner” and “paying agent” are defined in the EU Savings Tax Directive). The retention tax system will apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. The transitional period will end only after all EU Member States and other relevant third countries and territories apply automatic exchange of information and the EU Member States unanimously agree that the United States of America has committed to exchange of information upon request as defined in the 2002 OECD Model Agreement on Exchange of Information on Tax Matters.

During this transitional period, such an individual beneficial owner resident in an EU Member State is entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system and the disclosure arrangements are implemented in Jersey by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey.

The effect of the Jersey provisions is that where an person is not willing to agree to an information exchange between the Jersey tax authorities and the tax authorities of the EU Member State in which he resides in respect of an interest payment, the Jersey based paying agent will be required to retain, out of any interest payment to that individual, tax at a rate, at the date of this document, of 20 per cent., and which will increase in later years to a maximum of 35 per cent. The individual will therefore be able to choose between information exchange or the retention tax, though the paying agent can choose not to offer the exchange of information option.

Based on these provisions and the current practice of the Jersey tax authorities, distributions to Shareholders in respect of Ordinary Shares in the Company and income realised by Shareholders

upon the sale, or redemption of Ordinary Shares in the Company do not constitute interest payments for the purposes of the retention tax system and therefore neither the Company nor any paying agent appointed by it in Jersey is obliged to levy retention tax in Jersey under these provisions in respect of such payments.

However, the retention tax system could apply in the event that an individual resident in an EU Member State, otherwise receives an interest payment in respect of a debt claim (if any) owed by the Company to that individual. Accordingly, in so far as is reasonably possible, the Company will act in such a way as not to incur debt claims from such individuals that would require the making of interest payments to them.

14.7 Identification of Shareholders

The Company can be required to make a return to the Comptroller of Income Tax in Jersey, on request, of the names, addresses and shareholdings of Jersey resident shareholders (in practice this return is not required at more frequent intervals than once a year).

This summary of the anticipated tax treatment in Jersey of the Company and holders of the Ordinary Shares is based on Jersey taxation law and practice as they are understood to apply at the date of this document. It does not constitute, nor should it be considered to be, legal or tax advice and does not address all aspects of Jersey tax law and practice (including without limitation such tax law and practice as they apply to any land or building situated in Jersey, or as they apply to certain types of person, such as persons holding or acquiring shares in the course of trade, collective investment schemes or insurance companies). Shareholders should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of Ordinary Shares in the Company under the laws of any jurisdictions in which they may be liable to taxation. Shareholders should be aware that tax rules and practice and their interpretation may change.

15. RELATED PARTY TRANSACTIONS

- 15.1 Save as set out in paragraph 9.6 above, no member of the Group has entered into a related party transaction during the period covered by the historic financial information set out in Part III and Part IV of this document and up to the date of this document.

16. PRINCIPAL INVESTMENTS

- 16.1 Save as set out or referred to in paragraph 3.1 above:

- (a) no significant investments have been made by the Group during the period covered by the historic financial information set out in Part III and Part IV of this document and up to the date of this document;
- (b) no significant investments by the Group are in progress; and
- (c) there are no future significant investments by the Group in respect of which a firm commitment has already been made.

17. INTELLECTUAL PROPERTY RIGHTS

- 17.1 A PCT (international) patent application was filed by Starcom Israel in relation to the Triton on 20 October 2010, claiming priority to a US application made on 14 December 2009. This has been nationalised in the US and Europe. The international search report, conducted by the European Patent Office was issued on 12 May 2011, but was only partial.
- 17.2 The intellectual property relating to Watchlock is shared between Starcom Israel and Mul-T-Lock. A CTM (EU trade mark) is held in joint names. A PCT (international) patent application was made in relation to the Watchlock on 1 May 2011, claiming priority to a US application filed on 28 September 2010, in the name of Starcom Israel alone and has been nationalised in the US and Europe. It is intended that the patents will be transferred into joint names on or before issue. The international

search report, conducted by the European Patent Office was issued on 24 February 2012, but was only partial.

17.3 There is a co-owned, Community trade mark for WATCHLOCK registered in relation to computer controlled locks (trade mark classes 6, 9). This is held jointly between Starcom Israel and Mul-T-Lock.

17.4 Starcom Israel is the registered holder of the domain names brono.com, conteye.com, starcomplc.com, starcomsystems.com, watchlock.com and watch-lock.com.

17.5 Save as disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Group's business or profitability.

18. WORKING CAPITAL

The Directors are of the opinion having made due and careful enquiry that, taking into account the estimated net proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

19. LITIGATION

19.1 Save as set out in paragraph 19.2 below, no member of the Group is or has during the 12 months preceding the date of this document been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company or the Group.

19.2 A complaint dated 16 November 2011 was filed in the Northern District of Illinois, by Arrivalstar S.A. and Melvino Technologies Limited, against Global Tracking Technologies, LLC, Global Tracking Technologies, Ltd, Starcom Panama and Starcom Israel, in respect of products called "mytrackingdevices". The Group has never produced or sold such products, and no revenues are or were derived from them. Furthermore, no company in the Group was ever served with the complaint. The plaintiffs in the case have not alleged any specific amount of damages. As of the date hereof, the Company does not believe that this case will have a significant adverse effect on financial position or profitability of the Company or the Group. Nonetheless, litigation can be expensive and disruptive to normal business operations, the results of legal proceedings are difficult to predict and the Company's view of these matters may change in the future as the litigation and events related thereto unfold.

20. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 June 2012, the date to which the historic financial information set out in Part IV of this document was prepared.

21. ACCOUNTING MATTERS

21.1 Barzily & Co are the auditors of the Company and are registered auditors in Israel licenced by the Israeli Accountancy Council.

21.2 The financial information relating to the Group contained in this document does not constitute statutory accounts for the purposes of section 434 of the 2006 Act. None of the financial information relating to the Group was qualified by Barzily & Co. in any way.

21.3 The accounting reference date of the Company is 31 December in each year. The current accounting reference period of the Company ends on 31 December 2013.

22. SOURCES OF INFORMATION

The Directors confirm that, where information in this document has been sourced from a third party, this information has been accurately reproduced and that, so far as the Directors are aware and are able to

ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

23. CONSENTS

23.1 Northland has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

23.2 Littlejohn LLP has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Part III and Part V of this document and the references to it and to its name in the form and context in which they appear.

24. GENERAL

24.1 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission are estimated to be approximately £640,000 (exclusive of VAT). The gross proceeds of the Placing are £2,720,000 and the net proceeds of the Placing are estimated to be approximately £2,080,000.

24.2 The Directors are not aware of any exceptional factors which have influenced the Group's activities.

24.3 Save as disclosed in this document, so far as the Directors are aware, there have not, in relation to any member of the Group, been:

- (a) any significant recent trends in production, sales, inventory, costs and selling prices between the end of the last financial year of the Company and the date of this document; or
- (b) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Group's prospects for at least the current financial year.

24.4 The Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

24.5 Save for Greenlight, as described in paragraphs 11.9 and 11.11 of this Part VI, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission or has entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

24.6 There have been no takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

25. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available to the public free of charge at the offices of Northland at 60 Gresham Street, London EC2V 7BB during normal business hours on any day (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission. This document will also be available for download from the Company's website at www.starcomplc.com.

Dated: 19 February 2013

