

RS2 Software p.l.c.
COMPANY ANNOUNCEMENT

The following is a company announcement issued by RS2 Software p.l.c. pursuant to the Malta Financial Services Listing Authority Rules – Chapter 5.

Quote

At the meeting held on 10 August 2015, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2015. A copy of the interim financial statements is attached to this announcement.

The interim financial statements are available for viewing and download at the company's website www.rs2.com, and can also be viewed at the Company's registered office.

Unquote



Dr Ivan Gatt
Company Secretary
14 August 2015



Interim Financial Statements

**For the six months ended
30 June 2015**

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the six months ended 30 June 2015

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RS2 Software p.l.c.

Directors' Report

For the six months ended 30 June 2015

This report is published in terms of Chapter 5 of the Listing Rules as prescribed by the Listing Authority in accordance with the provisions of the Financial Markets Act, 1990.

The condensed financial statements have been extracted from the Group's unaudited consolidated accounts for the six months ended 30 June 2015 and its comparative period in 2014. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2014. The condensed interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 Interim Financial Reporting). In terms of Listing Rule 5.75.5, the directors state that the half-yearly financial report has not been audited or reviewed by the Group's independent auditors.

Principal activities

The Group is principally engaged in the development, installation, implementation and marketing of specialised computer software for financial institutions, under the trade mark of BankWORKS®, and processing of payment transactions with the use of BankWORKS®.

Review of performance and business developments

The Group generated total revenue of €11.5m for the first half of 2015, an increase of 49% when compared to the same period last year. Recognition of new license fees and an increase in service fees contributed to this increase. With regards to the licence agreement concluded earlier this year with a bank in Vietnam, besides the financial value of the contract, we perceive this contract as being an important step in realising the Group's strategy for further penetration of the Asian market.

The increase in revenue is also attributable to increased maintenance fees as new maintenance agreements with new and existing clients come into force, as well as increase in service fees, which continues to build on the trends of the previous year. Revenues from processing services also increased by 16% during the period under review.

Cost of sales increased by 22% in comparison with the same period last year. The main reason for this increase remains attributable to increases in salaries. As a service oriented company, human resources remain our most significant expense as we continue to invest in our staff complement to meet our clients' demands.

Gross profit for the period amounts to €6.8m, representing a gross profit margin of 59% and an increase of 76% over the gross profit reported last year.

During the first half of the year, we more than doubled our investment in the enhancement of our BankWORKS® product, reaffirming once again our strategy to always be at the forefront of technology as well industry developments to be able to offer the best solution to our clients.

The increase in gross profit was slightly offset by increases in marketing and administrative expenses. In addition, profit before tax was positively impacted by movements in the rates of exchange of various currencies.

Profit before tax amounts to €6.6m, an increase of 121% when compared to the same period in 2014. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounts to €7.2m, an increase of 89% over the same period in 2014.

RS2 Software p.l.c.

Directors' Report

For the six months ended 30 June 2015

Review of performance and business developments (continued)

In August 2015 we reached another important milestone, particularly for the local market, with the opening of our Gozo office. With a total investment of €1.3m, this office will serve as an extension of the Malta office where core development and client support will be carried out, as well as serving as a disaster recovery location, call centre and operations. At RS2 we already have a number of Gozitan employees working in our Malta offices who are being given the option to work closer to home, and we will be creating more opportunities for Gozitans wishing to work in the IT industry.

In addition to Gozo, we have continued with our international expansion plans by establishing a new subsidiary in Brazil that will serve as our Latin American presence. We are also currently in the process of opening up offices in Manila, Philippines. This expansion continues to build on our strategy of being closer to our clients to provide an efficient and effective service by minimising distance, time and language barriers.

Performance for an accounting period may be influenced by revenue recognition criteria. In accordance with the Group's revenue recognition policy, services, maintenance, comprehensive packages and processing revenue, which are by their nature recurring, are recognised when these are performed. License sales are recognised as revenue when a license contract is concluded, or in stages over the term of the contract depending on the nature and period of the licence granted. Due to such criteria and value of the licence contracts, the performance between accounting periods may not be linear.

The positive performance during the first half of the year continues to strengthen our balance sheet as well as our cash position. Market conditions permitting, this performance would allow us to pursue our growth plans with confidence and enthusiasm.

Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2014, the Group had related party transactions with its parent company and other entities in which the directors of the Company, or their immediate relatives, have an ownership interest.

Transactions with each category of related parties and the balances outstanding at the end of the reporting periods are set out in note 7 of the Notes to these Condensed Interim Financial Statements.

Dividends

Due to further substantial investment in infrastructure and business development, the Board is not declaring an interim dividend.

Approved by the Board of Directors on 10 August 2015 and signed on its behalf by:



Mario Schembri
Chairman



Radi El Haj
Director

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2015

	The Group		The Company	
	30.06.15 Unaudited	31.12.14 Audited	30.06.15 Unaudited	31.12.14 Audited
	€	€	€	€
Assets				
Property, plant and equipment	8,474,793	8,081,423	8,225,306	7,816,089
Intangible assets	6,961,431	6,961,733	5,559,742	5,669,953
Accrued Income	1,237,361	1,440,750	3,339,793	3,527,483
Investment in subsidiaries	-	-	1,148,774	1,148,774
Other investment	131,785	131,785	131,785	131,785
Loans receivable from other related parties	32,911	32,087	3,612,012	3,204,963
Trade and other receivables	1,107,036	764,731	1,139,948	764,731
Total non-current assets	17,945,317	17,412,509	23,157,360	22,263,778
Trade and other receivables	6,402,015	4,167,186	6,138,166	4,100,640
Loans and receivables from related parties	804,966	868,045	804,966	868,045
Prepayments	461,308	347,782	340,189	297,453
Accrued income	5,782,231	4,844,414	5,789,822	5,193,985
Cash at bank and in hand	5,231,452	4,520,446	4,376,625	3,731,903
Total current assets	18,681,972	14,747,873	17,449,768	14,192,026
Total assets	36,627,289	32,160,382	40,607,128	36,455,804

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2015

	The Group		The Company	
	30.06.15 Unaudited	31.12.14 Audited	30.06.15 Unaudited	31.12.14 Audited
	€	€	€	€
Equity				
Share capital	8,999,991	8,999,991	8,999,991	8,999,991
Reserves	1,537,091	1,572,030	1,438,315	1,512,786
Retained earnings	15,176,439	12,357,823	19,190,469	16,287,701
Total equity attributable to equity holders of the Company	25,713,521	22,929,844	29,628,775	26,800,478
Non-controlling interest	(105)	10,940	-	-
Total equity	25,713,416	22,940,784	29,628,775	26,800,478
Liabilities				
Bank borrowings	2,520,474	2,710,067	2,520,475	2,710,067
Deferred tax liability	1,100,343	1,134,666	1,740,884	1,694,234
Derivatives	131,811	159,749	131,811	159,749
Total non-current liabilities	3,752,628	4,004,482	4,393,170	4,564,050
Bank borrowings	788,991	725,846	788,990	725,846
Trade and other payables	1,255,860	1,160,738	762,643	1,073,272
Current tax payable	3,201,391	1,355,350	3,201,391	1,355,350
Accruals	486,536	547,332	448,045	536,010
Deferred income	1,428,467	1,425,850	1,384,114	1,400,798
Total current liabilities	7,161,245	5,215,116	6,585,183	5,091,276
Total liabilities	10,913,873	9,219,598	10,978,353	9,655,326
Total equity and liabilities	36,627,289	32,160,382	40,607,128	36,455,804

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2015

THE GROUP

	Attributable to equity holders of the Company							
	Share capital €	Share premium €	Translation reserve €	Share Option reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2014	8,499,991	1,792,743	(363)	434,695	10,757,376	21,484,442	(112,281)	21,372,161
Comprehensive income for the period								
Profit or loss	-	-	-	-	2,247,329	2,247,329	(24,506)	2,222,823
Other comprehensive income								
Total other comprehensive income for the period	-	-	5,552	-	-	5,552	(1,175)	4,377
Total comprehensive income for the period	-	-	5,552	-	2,247,329	2,252,881	(25,681)	2,227,200
Transactions with owners of the Company								
Bonus issue	500,000	(500,000)	-	-	-	-	-	-
Unrealised gains								
Dividend to equity holders	-	-	-	-	(999,599)	(999,599)	-	(999,599)
Share options exercised	-	-	-	(209,052)	209,052	-	-	-
Balance at 30 Jun 2014	8,999,991	1,292,743	5,189	225,643	12,214,158	22,737,724	(137,962)	22,599,762
Balance at 1 January 2015	8,999,991	1,292,743	59,244	220,043	12,357,823	22,929,844	10,940	22,940,784
Comprehensive income for the period								
Profit or loss	-	-	-	-	4,744,123	4,744,123	(3,540)	4,740,583
Other comprehensive income								
Foreign currency translation differences	-	-	39,532	-	-	39,532	(7,505)	32,027
Total other comprehensive income for the period	-	-	39,532	-	-	39,532	(7,505)	32,027
Total comprehensive income for the period	-	-	39,532	-	4,744,123	4,783,655	(11,045)	4,772,610
Transactions with owners of the Company								
Dividend to equity holders	-	-	-	-	(1,999,978)	(1,999,978)	-	(1,999,978)
	-	-	-	-	(1,999,978)	(1,999,978)	-	(1,999,978)
Transfer from retained earnings:								
Share options exercised	-	-	-	(74,471)	74,471	-	-	-
Balance at 30 Jun 2015	8,999,991	1,292,743	98,776	145,572	15,176,439	25,713,521	(105)	25,713,416

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2015

THE COMPANY

	Share capital €	Share premium €	Share Option reserve €	Retained earnings €	Total €
Balance at 1 January 2014	8,499,991	1,792,743	434,695	13,743,043	24,470,472
Comprehensive income for the period					
Profit or loss	-	-	-	2,344,732	2,344,732
Total comprehensive income for the period	-	-	-	2,344,732	2,344,732
Transactions with owners of the Company					
Bonus issue	500,000	(500,000)	-	-	-
Dividend to equity holders	-	-	-	(999,599)	(999,599)
Share options exercised	-	-	(209,052)	209,052	-
Balance at 30 Jun 2014	8,999,991	1,292,743	225,643	15,297,228	25,815,605
Balance at 1 January 2015	8,999,991	1,292,743	220,043	16,287,701	26,800,478
Comprehensive income for the period					
Profit or loss	-	-	-	4,828,275	4,828,275
Total comprehensive income for the period	-	-	-	4,828,275	4,828,275
Transactions with owners of the Company					
Dividend to equity holders	-	-	-	(1,999,978)	(1,999,978)
Share options exercised	-	-	(74,471)	74,471	-
Balance at 30 Jun 2015	8,999,991	1,292,743	145,572	19,190,469	29,628,775

RS2 Software p.l.c.

Statements of Comprehensive Income

For the six months ended 30 June 2015

	The Group		The Company	
	30.06.2015 Unaudited	30.06.2014 Unaudited	30.06.2015 Unaudited	30.06.2014 Unaudited
	€	€	€	€
Continuing Operations				
Revenue	11,548,027	7,775,372	10,912,353	7,196,796
Cost of sales	(4,736,278)	(3,896,522)	(4,143,522)	(3,356,888)
Gross profit	6,811,749	3,878,850	6,768,831	3,839,908
Other income	699,274	175,747	699,336	197,067
Marketing and promotional expenses	(250,853)	(224,192)	(248,305)	(195,500)
Administrative expenses	(1,164,351)	(955,464)	(1,005,090)	(781,732)
Capitalised development costs	415,527	172,757	415,527	172,757
Other expenses	(49,522)	(10,309)	(49,516)	(10,309)
Results from operating activities	6,461,824	3,037,389	6,580,783	3,222,191
Finance income	162,450	33,460	196,388	58,084
Finance costs	(68,957)	(108,525)	(53,255)	(107,280)
Net finance income/ loss	93,493	(75,065)	143,133	(49,196)
Profit before income tax	6,555,317	2,962,324	6,723,916	3,172,995
Income tax expense	(1,814,734)	(739,501)	(1,895,641)	(828,263)
Profit for the period	4,740,583	2,222,823	4,828,275	2,344,732
Other comprehensive income				
Foreign currency translation differences on foreign operations	32,027	4,377	-	-
Total comprehensive income	4,772,610	2,227,200	4,828,275	2,344,732
Profit attributable to:				
Owners of the Company	4,744,123	2,247,329	4,828,275	2,344,732
Non-controlling interest	(3,540)	(24,506)	-	-
Profit for the period	4,740,583	2,222,823	4,828,275	2,344,732
Total comprehensive income attributable to:				
Owners of the Company	4,783,655	2,252,881	4,828,275	2,344,732
Non-controlling interest	(11,045)	(25,681)	-	-
Total comprehensive income for the period	4,772,610	2,227,200	4,828,275	2,344,732
Earnings per share	€ 0.053	€ 0.025	€ 0.054	€ 0.026

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2015

	The Group		The Company	
	30.06.15	30.06.14	30.06.15	30.06.14
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from operating activities				
Profit for the period	4,740,583	2,222,823	4,828,275	2,344,732
Adjustments for:				
Depreciation	254,846	214,118	180,972	148,631
Amortisation of intangible assets	526,534	580,274	525,739	506,940
Capitalised development costs	(415,527)	(172,757)	(415,527)	(172,757)
Interest payable	79,772	91,331	(38,765)	90,085
Interest receivable	(4,828)	(10,644)	79,940	(35,267)
Income tax	1,814,734	739,501	1,895,641	828,263
Provision for exchange fluctuations	(503,155)	(190,414)	(503,155)	(190,414)
Release in provision for bad debts	49,522	-	49,522	-
Changes in fair value of cash flow hedges	(27,938)	16,907	(27,938)	16,907
	6,514,543	3,491,139	6,574,704	3,537,120
Change in trade and other receivables	(2,855,546)	(1,382,351)	(2,442,065)	(1,158,687)
Change in trade and other payables	(233,970)	(101,563)	(489,346)	(97,714)
Cash generated from operating activities	3,425,027	2,007,225	3,643,293	2,280,719
Interest paid	(75,337)	(91,326)	(75,337)	(91,326)
Interest received	436	11,575	434	21,385
Income taxes paid	(2,950)	(51)	(2,950)	(51)
Net cash from operating activities	3,347,176	1,927,423	3,565,440	2,210,727
Cash flows from investing activities				
Acquisition of property, plant and equipment	(606,644)	(192,845)	(548,645)	(181,034)
Advances to subsidiaries	-	-	(327,458)	(389,844)
Repayment of advances to parent company	-	95,679	-	95,679
Repayment of advances to subsidiaries	-	-	-	140,190
Repayment of Advances to Other Companies	-	248,090	-	248,090
Net cash used in investing activities	(606,644)	150,924	(876,103)	(86,919)
Cash flows from financing activities				
Dividends paid	(1,996,322)	(997,103)	(1,996,322)	(997,104)
Advances by related parties	-	(39)	-	-
Proceeds from bank borrowings	259,298	35,505	259,298	35,505
Repayments of bank borrowings	(385,746)	(423,689)	(385,746)	(423,689)
Net cash used in financing activities	(2,122,770)	(1,385,326)	(2,122,770)	(1,385,288)
Net decrease in cash and cash equivalents	617,762	693,021	566,567	738,520
Cash and cash equivalents at 1 January	4,520,446	3,643,227	3,731,903	3,264,175
Effect of fair value movement	(627)	-	-	-
Effect of exchange rate fluctuations on cash held	78,170	22,831	78,155	22,817
Cash and cash equivalents at 30 June	5,215,751	4,359,079	4,376,625	4,025,512

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2015

1 Reporting entity

RS2 Software p.l.c. (the "Company") is a public limited liability company domiciled and incorporated in Malta.

The condensed interim financial statements of the Company as at the end and for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

2 Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU for interim financial statements (EU adopted IAS 34 *Interim Financial Reporting*).

The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2014.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2014.

4 Segment reporting

4.1 Information about the Group's reportable segments

	Licensing		Processing		Total	
	30.06.15	30.06.14	30.06.15	30.06.14	30.06.15	30.06.14
	€	€	€	€	€	€
External revenues	10,737,323	7,074,498	810,704	700,874	11,548,027	7,775,372
Inter-segment revenues	175,030	122,298	-	-	175,030	122,298
Segment Revenues	10,912,353	7,196,796	810,704	700,874	11,723,057	7,897,670
Reportable segment profit/ (loss) before income tax	6,723,916	3,172,991	(241,762)	(284,001)	6,482,154	2,888,990

4.2 Reconciliation of the Group's reportable segment profit or loss

	30.06.15	30.06.14
	€	€
Total revenue for reportable segments	11,723,057	7,897,670
Elimination of intersegment transactions	(175,030)	(122,298)
Consolidated revenues	11,548,027	7,775,372

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2015

4 Segment reporting (continued)

4.2 Reconciliation of the Group's reportable segment profit or loss (continued)

	30.06.15	30.06.14
	€	€
Total reportable segment profit for reportable segments	6,482,154	2,888,990
Elimination of intersegment transactions	73,163	73,334
Consolidated reportable segment profits	<u>6,555,317</u>	<u>2,962,324</u>

5 Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired assets with a cost of €648,191 (six months ended 30 June 2014: €211,891), and there were no disposal of assets (six months ended 30 June 2014: €0).

6 Intangible assets

During the six months ended 30 June 2015, the Group capitalised expenditure on the development of computer software amounting to €415,527 (six months ended 30 June 2014: €172,758).

7 Related parties

7.1 Related party transactions

Similar to what was reported in the financial statements for the six months ended 30 June 2014, the Group had the following the transactions with related parties:

	<u>The Group</u>		<u>The Company</u>	
	30.06.15	30.06.14	30.06.15	30.06.14
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Parent company				
Repayments of advances to	-	95,679	-	95,679
Interest charged to	1,283	2,198	1,283	2,198
Payment of interest charged to	-	4,322	-	4,322
Dividend payable to	1,000,854	500,231	1,000,854	500,231
Dividend paid	<u>1,000,854</u>	<u>500,231</u>	<u>1,000,854</u>	<u>500,231</u>
Subsidiaries				
Repayments of advances to	-		-	140,190
Services provided to			512,291	127,400
Payments for services provided to			19,825	183,950
Payments for services provided by			-	-
Services not yet invoiced provided to			-	5,103
Interest charged to			34,295	25,131
Payments on behalf of			327,454	389,844
Interest paid			-	9,810

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2015

7 Related parties (continued)

7.1 Related party transactions (continued)

	The Group		The Company	
	30.06.15 Unaudited €	30.06.14 Unaudited €	30.06.15 Unaudited €	30.06.14 Unaudited €
Other related entities				
Services provided to	3,609,965	974,280	3,609,965	974,280
Services provided by	582,435	611,817	582,435	611,817
Payments for services provided by	522,480	596,700	522,480	596,700
Payments for services provided to	4,891,586	820,357	4,891,586	820,357
Repayment of Advances	-	248,090	-	248,090
Interest charged to	824	5,659	824	5,659
Interest charged by	-	1,246	-	1,246
Repayment of Interest	-	6,910	-	6,910

All transactions entered into with related parties have been accounted for at fair and reasonable prices.

7.2 Related party balances

	The Group		The Company	
	30.06.15 Unaudited €	31.12.14 Audited €	30.06.15 Unaudited €	31.12.14 Audited €
Amounts receivable				
Amounts owed by parent company	738,370	737,087	738,370	737,087
Amounts owed by subsidiary companies	-	-	4,104,477	3,172,876
Amounts owed by other related entities	1,280,360	2,625,518	1,280,360	2,625,518
Amounts payable				
Trade payables due to other related entities	7,080	120,128	7,080	11,487

RS2 Software p.l.c.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2015

We confirm that to the best of our knowledge:

- the condensed interim financial statements which have been prepared in compliance with International Financial Reporting Standards as adopted by the EU for interim financial statements (EU adopted IAS 34, *Interim Financial Statements*), give a true and fair view of the financial position of the Group as at 30 June 2015, as well as the financial performance and cash flows for the period ended 30 June 2015; and
- the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Mario Schembri
Chairman



Radi El Haj
Director