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 8.

Quote

Reference is made to the Company Announcement made on 17 March 2009 and to Preliminary Financial Statements attached therewith.

The Earnings per share as disclosed in the Income Statement contains a typographical error. The Earnings per share for the year ended 31 December 2008 should read €0.07c3, while the Earnings per share for the year ended 31 December 2007 should read €0.06c9. The revised preliminary statement of results is being attached herewith.

Unquote

Dr Ivan Gatt
Company Secretary

RS2 Software p.l.c.

Balance Sheet

As at 31 December 2008

	2008	2007
	€	€
ASSETS		
Property, plant and equipment	**3,566,154**	48,968
Intangible assets	**5,769,473**	6,339,360
Accrued income	**765,758**	-
Deferred tax asset	**-**	9,610
Total non-current assets	**10,101,385**	6,397,938
Trade and other receivables	**1,447,512**	962,957
Receivables from group and other related entities	**618,659**	370,438
Prepayments and accrued income	**1,919,786**	1,536,073
Cash at bank and in hand	**5,447,062**	1,008,152
Total current assets	**9,433,019**	3,877,620
Total assets	**19,534,404**	10,275,558

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Balance Sheet

As at 31 December 2008

	2008	2007
	€	€
EQUITY		
Share capital	**7,500,000**	1,615,345
Reserves	**2,878,552**	2,052,748
Retained earnings	**2,767,826**	4,337,015
Total equity	**13,146,378**	8,005,108
LIABILITIES		
Bank borrowings	**2,609,554**	-
Deferred tax liabilities	**319,058**	-
Accruals	**191,437**	-
Total non-current liabilities	**3,120,049**	-
Bank borrowings	**357,368**	-
Trade and other payables	**745,862**	1,189,906
Accruals and deferred income	**2,164,747**	1,080,544
Total current liabilities	**3,267,977**	2,270,450
Total liabilities	**6,388,026**	2,270,450
Total equity and liabilities	**19,534,404**	10,275,558

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Statement of Changes in Equity

For the Year Ended 31 December 2008

	Share capital	Share premium	Revaluation reserve	Other reserve	Share option Reserve	Retained earnings	Total
	€	€	€	€	€	€	€
Balance at 1 January 2007	1,469,964	-	319,956	1,880,989	128,767	4,458,758	8,258,434
Profit for the year (restated)	-	-	-	-	-	2,047,421	2,047,421
Interim dividend declared	-	-	-	-	-	(2,415,000)	(2,415,000)
Deferred taxation	-	-	-	-	5,493	-	5,493
Share option scheme exercised	145,381	-	-	-	(143,927)	-	1,454
Share-based payment	-	-	-	-	107,306	-	107,306
Transfer to retained earnings:							
Unrealised gains	-	-	-	(148,197)	-	148,197	-
Cost of share option scheme	-	-	-	-	(97,639)	97,639	-
Balance at 31 December 2007 (restated)	1,615,345	-	319,956	1,732,792	-	4,337,015	8,005,108
Balance at 1 January 2008 (restated)	**1,615,345**	**-**	**319,956**	**1,732,792**	**-**	**4,337,015**	**8,005,108**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**2,548,536**	**2,548,536**
Interim dividend declared	**-**	**-**	**-**	**-**	**-**	**(1,200,000)**	**(1,200,000)**
Transfer from retained earnings:							
Unrealised gains	**-**	**-**	**-**	**85,818**	**-**	**(85,818)**	**-**
Capitalisation of reserves	**4,884,655**	**-**	**(319,956)**	**(1,732,792)**	**-**	**(2,831,907)**	**-**
Issue of share capital	**1,000,000**	**3,000,000**	**-**	**-**	**-**	**-**	**4,000,000**
Transaction costs	**-**	**(207,266)**	**-**	**-**	**-**	**-**	**(207,266)**
Balance at 31 December 2008	**7,500,000**	**2,792,734**	**-**	**85,818**	**-**	**2,767,826**	**13,146,378**

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Income Statement

For the Year Ended 31 December 2008

	2008	2007
	€	€
CONTINUING OPERATIONS		
Revenue	**8,335,549**	6,260,479
Cost of sales	**(4,697,392)**	(3,430,619)
Gross profit	**3,638,157**	2,829,860
Other income	**80,671**	-
Marketing and promotional expenses	**(124,664)**	(89,211)
Administrative expenses	**(606,872)**	(648,764)
Capitalised development costs	**122,406**	143,761
Other expenses	**(287,510)**	(73,178)
Results from operating activities	**2,822,188**	2,162,468
Finance income	**151,640**	3,316
Finance expenses	**(73,648)**	(18,218)
Net finance income/(expense)	**77,992**	(14,902)
Profit before income tax	**2,900,180**	2,147,566
Income tax expense	**(351,644)**	(100,145)
Profit for the year	**2,548,536**	2,047,421
Earnings per share	**7c3**	6c9

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Cash Flow Statement

For the Year Ended 31 December 2008

	2008	2007
	€	€
Cash flows from operating activities		
Profit for the year	**2,548,536**	2,047,421
Adjustments for:		
Depreciation	**54,076**	67,745
Amortisation of intangible assets	**692,293**	684,124
Capitalised development costs	**(122,406)**	(143,761)
Impairment losses on trade receivables	**233,768**	-
Interest payable	**402**	355
Bank interest receivable	**(114,757)**	(3,316)
Finance cost	**73,246**	-
Finance income	**(18,316)**	-
Income tax	**351,644**	100,145
Provision for exchange fluctuations	**(85,818)**	62,725
Share-based payments	**-**	107,306
	3,612,668	2,922,744
Change in trade and other receivables	**(2,122,710)**	(568,823)
Change in trade and other payables	**972,170**	682,849
Change in parent company's balance	**(347,615)**	(1,171,563)
Change in group entities' balances	**348,838**	1,357,625
Change in other relates entities' balances	**-**	(833,599)
Cash generated from operating activities	**2,463,351**	2,389,233
Interest paid	**(402)**	(355)
Interest received	**107,565**	3,316
Income tax paid	**(22,976)**	(1,515)
Net cash from operating activities	**2,547,538**	2,390,679
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(3,565,458)**	(67,642)
Expenses paid by Company on behalf of parent company	**(262,762)**	(60,576)
Loan repayments on behalf of parent company	**(590,000)**	(737,119)
Expenses paid by Company on behalf of related entities	**(348,838)**	(628,188)
Receipts by parent company on behalf of Company	**(6,757)**	-
Advances by parent company on behalf of Company	**24,014**	-
Repayments from parent company	**199,035**	-
Net cash used in investing activities	**(4,550,766)**	(1,493,525)
Cash flows from financing activities		
Proceeds from issue of share capital	**4,000,000**	-
Transaction costs on issue of shares	**(207,266)**	-
Dividends paid	**(330,286)**	-
Proceeds from bank finance	**2,961,123**	-
Repayments of advances by director	**-**	(25,135)
Advances by related entities	**-**	9,000
Net cash from/(used in) financing activities	**6,423,571**	(16,135)
Net increase in cash and cash equivalents	**4,420,343**	881,019
Cash and cash equivalents at 1 January	**1,008,152**	144,996
Effect of exchange rate fluctuations on cash held	**18,567**	(17,863)
Cash and cash equivalents at 31 December	**5,447,062**	1,008,152

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Review of Results

For the Year Ended 31 December 2008

Basis of Preparation

By virtue of Regulation 3 of Legal Notice 19 of 2009, *Accountancy Profession (Accounting and Auditing Standards) Regulations, 2009*, published under the Accountancy Profession Act, compliance with generally accepted accounting principles and practice has been defined as adherence to international accounting standards as adopted by the EU. The legal notice has been deemed to come into force on 1 October 2008, and accordingly these financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU ("the applicable framework"). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU.

The change in the applicable framework from IFRS issued by the International Accounting Standards Board, in use for the comparative period, did not result in any changes in the Company's accounting policies, and, accordingly, no adjustment was required to the corresponding figures included in the current year's financial statements. In addition, this change did not impact the year end financial position and the current year's financial performance and cash flows.

These financial statements have also been prepared and presented in accordance with the provisions of the Companies Act, 1995 enacted in Malta, to the extent that such provisions do not conflict with the requirements of the applicable framework.

Principal Activities

The Company is principally engaged in the development, installation, implementation and marketing of computer software for financial institutions under the brand name BANKWORKS.

Review of Performance

For the year ended 31 December 2008, the Company registered total revenue of €8.34m, representing a significant increase of 33% over of last year's total revenue of €6.26m. Consistent with prior years, revenue has been generated from the sale of licences to new and existing clients, maintenance fees and enhanced services. In addition, 2008 has seen the introduction of an important category of revenue, this being the Comprehensive Packages. As the name implies, Comprehensive Packages are agreements which include a combination of licences, maintenance and service fees and which carry a fixed payment on a monthly basis, thereby providing a known and fixed stream of revenue to the Company.

Gross profit for the year amounts to €3.64m, yielding a gross profit margin of 44%. This shows a slight decrease in the profit margin when compared to 45% in 2007, which can be attributed to two main factors. Firstly, in order to meet the increasing demands from its clients, the Company increased its staff complement which inevitably increased the wages and salaries expense for the Company. Secondly, as a direct result of a boost in sales in Scandinavia, the Company experienced a considerable increase in commissions payable to its partner in the region.

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Review of Results

For the Year Ended 31 December 2008

In line with the Company's policy to increase efficiency and maintain expenses at acceptable levels, the Company is reporting a reduction of 6% in administrative expenses when compared to the previous year. This saving is counterbalanced by an increase in other expenses, mainly made up of exchange losses and provisions for impairment losses on receivables. Impairment losses include an unprecedented provision relating to the doubtful recovery of receivables from one particular client resulting from circumstances present in its country of operations. The Company has no other clients operating in the same country, and therefore we do not expect similar losses in the future.

Profit before taxation amounts to €2.9m, a 35% increase over the reported profit in 2007 of €2.15m.

Income tax expense for the year amounts to €0.35m. Up to 31 December 2008, the Company enjoyed a reduced rate of tax of 15% and investment tax credits under the Business Promotion Act. Although the Company will be taxable at the normal rate of 35% with effect from 1 January 2009, the balance of investment tax credits remains available to it. The tax expense for the year consists mainly of a deferred tax charge arising from the utilisation of such investment tax credits.

Profit after taxation amounts to €2.55m. This represents a net profit margin after taxation of 31% and an increase in profit after tax of 24% over the previous year. When compared with the Profit Forecast as published in the Prospectus dated 16 May 2008, profit after taxation shows a variance of 16% less than projected. The revenue targets for the year were satisfactorily met, however these were offset by a more than proportionate increase in cost of sales and the recognition of the provision for impairment loss mentioned above.

2008 has been an eventful year for RS2 and we are pleased to report very positive key ratios. Results from operating activities represent a return of 21% on total shareholder funds. Net assets per share and earnings per share amount to €0.35 and €0.073 respectively. At 31 December 2008, current ratio (current assets to current liabilities) stood at 2.89:1, while debt to equity ratio (interest bearing liabilities to equity) stood at 23%.

Cash flow generation remains very healthy with €2.55m being generated from operating activities. The Company has also generated net proceeds of €3.79m from the issue of its share capital pursuant to the Combined Offering undertaken during the year under review, which funds are being applied to finance expansion plans for the near future, namely a structured overseas office expansion, increased market penetration, research and development and the RS2 Training Academy.

During 2008, the Company has made a substantial investment of €3.57m in the acquisition of property, plant and equipment, which includes the purchase of land at a cost of €3.26m with the intention of building its own premises. The purchase price and the construction and finishing costs are being financed partly through a local secured bank loan and partly through Company reserves.