

**RS2 Software p.l.c.**

**COMPANY ANNOUNCEMENT**

The following is a company announcement issued by RS2 Software p.l.c. ("the Company") pursuant to the Malta Financial Services Listing Authority Rules .

**Quote**

At the meeting held on Tuesday 18 April 2017, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2016. The Board resolved that these financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting which is scheduled for Tuesday 20 June 2017.

Shareholders appearing on the shareholders' register as at the close of business on Friday 19 May 2017 will receive notice of the Annual General Meeting, together with the Annual Report and Financial Statements for the financial year ended 31 December 2016. The preliminary statement of results that is attached herewith was extracted from the financial statements that were audited by KPMG.

The Board of Directors resolved to recommend for approval at the Annual General Meeting, the payment of a final dividend of €0.01 per share amounting to €1,583,332. This dividend, if approved at the Annual General Meeting, will be paid on Thursday 22 June 2017 to shareholders who appear on the shareholders' register as at the close of business on Friday 19 May 2017.

In addition to the cash dividend, the Board of Directors further resolved to recommend for approval at the Annual General Meeting, a bonus share issue of one (1) share for every twelve (12) shares held by shareholders on the Company's share register as at close of business on Friday 19 May 2017. The bonus issue amounting to 13,194,432 shares will be funded by capitalising €791,666 from the Share Premium Reserve of the Company, subject to a relative increase in the company's authorised share capital and necessary regulatory approvals.

Pursuant to the Malta Stock Exchange Bye-Laws, the shareholders' register as at close of business on Friday 19 May 2017 will include trades undertaken up to and including Wednesday 17 May 2017.

**Unquote**



**Dr. Ivan Gatt**  
Company Secretary

18 April 2017

# RS2 Software p.l.c.

## Statement of Financial Position

As at 31 December 2016

	THE GROUP		
	2016	2015	1 January 2015
		Restated*	Restated*
	€	€	€
<b>Assets</b>			
Property, plant and equipment	<b>9,034,813</b>	9,059,244	8,081,423
Intangible assets	<b>6,815,112</b>	6,901,911	6,961,734
Other investment	<b>131,785</b>	131,785	131,785
Loans and receivables from related parties	-	-	32,087
Accrued income	-	354,000	1,440,750
Trade and other receivables	-	-	764,731
<b>Total non-current assets</b>	<b>15,981,710</b>	16,446,940	17,412,510
Trade and other receivables	<b>1,999,483</b>	3,008,042	4,167,186
Loans and receivables from related parties	<b>918,566</b>	810,422	868,045
Prepayments	<b>624,578</b>	511,788	347,781
Accrued income	<b>6,011,551</b>	7,219,601	4,844,414
Cash at bank and in hand	<b>6,344,155</b>	7,193,681	4,520,446
<b>Total current assets</b>	<b>15,898,333</b>	18,743,534	14,747,872
<b>Total assets</b>	<b>31,880,043</b>	35,190,474	32,160,382

\* Certain amounts shown here have been restated to reflect prior year adjustments made for the provision for key management personnel post-employment benefits.

# RS2 Software p.l.c.

## Statement of Financial Position

As at 31 December 2016

	<b>THE GROUP</b>		
	<b>2016</b>	2015	1 January 2015
		Restated*	Restated*
	€	€	€
<b>Equity</b>			
Share capital	<b>9,499,991</b>	8,999,991	8,999,991
Reserves	<b>1,000,910</b>	1,529,262	1,572,030
Retained earnings	<b>11,506,618</b>	13,409,110	10,481,308
<b>Total equity attributable to equity holders of the Company</b>	<b>22,007,519</b>	23,938,363	21,053,329
Non-controlling interest	<b>(142,187)</b>	(8,674)	10,940
<b>Total equity</b>	<b>21,865,332</b>	23,929,689	21,064,269
<b>Liabilities</b>			
Bank borrowings	<b>1,859,899</b>	2,465,781	2,710,067
Employee benefits	<b>1,922,045</b>	1,914,139	1,876,515
Deferred tax liabilities	<b>758,265</b>	1,302,005	1,134,666
Derivatives	<b>84,254</b>	119,187	159,749
<b>Total non-current liabilities</b>	<b>4,624,463</b>	5,801,112	5,880,997
Bank borrowings	<b>993,937</b>	978,850	725,846
Trade and other payables	<b>849,711</b>	1,122,918	1,160,738
Current tax payable	<b>958,215</b>	1,436,346	1,355,350
Accruals	<b>828,974</b>	587,456	547,332
Employee benefits	<b>111,422</b>	-	-
Deferred income	<b>1,647,989</b>	1,334,103	1,425,850
<b>Total current liabilities</b>	<b>5,390,248</b>	5,459,673	5,215,116
<b>Total liabilities</b>	<b>10,014,711</b>	11,260,785	11,096,113
<b>Total equity and liabilities</b>	<b>31,880,043</b>	35,190,474	32,160,382

\* Refer to footnote on Page 1

# RS2 Software p.l.c.

## Statement of Financial Position

As at 31 December 2016

	THE COMPANY		
	2016	2015 Restated*	1 January 2015 Restated*
	€	€	€
<b>Assets</b>			
Property, plant and equipment	<b>8,713,657</b>	8,834,473	7,816,089
Intangible assets	<b>5,327,256</b>	5,461,335	5,669,953
Investments in subsidiaries	<b>5,737,262</b>	2,730,104	1,148,774
Other investment	<b>131,785</b>	131,785	131,785
Loans and receivables from related parties	<b>23,751</b>	2,185,830	3,204,963
Accrued income	<b>1,241,928</b>	2,061,205	3,527,483
Trade and other receivables	-	-	764,731
<b>Total non-current assets</b>	<b>21,175,639</b>	21,404,732	22,263,778
Trade and other receivables	<b>1,804,112</b>	2,807,063	4,100,640
Loans and receivables from related parties	<b>1,554,951</b>	810,422	868,045
Prepayments	<b>425,540</b>	436,805	297,453
Accrued income	<b>6,314,841</b>	7,634,132	5,193,985
Cash at bank and in hand	<b>5,535,139</b>	6,634,403	3,731,903
<b>Total current assets</b>	<b>15,634,583</b>	18,322,825	14,192,026
<b>Total assets</b>	<b>36,810,222</b>	39,727,557	36,455,804

\* Refer to footnote on Page 1

# RS2 Software p.l.c.

## Statement of Financial Position

As at 31 December 2016

	THE COMPANY		
	2016	2015	1 January 2015
	€	Restated*	Restated*
	€	€	€
<b>Equity</b>			
Share capital	9,499,991	8,999,991	8,999,991
Reserves	891,139	1,413,739	1,512,786
Retained earnings	16,791,843	18,068,040	14,956,853
<b>Total equity</b>	<b>27,182,973</b>	<b>28,481,770</b>	<b>25,469,630</b>
<b>Liabilities</b>			
Bank borrowings	1,859,899	2,465,781	2,710,067
Employee benefits	1,356,070	1,358,420	1,330,848
Deferred tax liabilities	1,518,485	1,956,799	1,694,234
Derivatives	84,254	119,187	159,749
<b>Total non-current liabilities</b>	<b>4,818,708</b>	<b>5,900,187</b>	<b>5,894,898</b>
Bank borrowings	993,937	978,850	725,846
Trade and other payables	729,543	1,081,768	1,073,272
Current tax payable	958,215	1,436,346	1,355,350
Accruals	372,183	546,052	536,010
Employee benefits	111,422	-	-
Deferred income	1,643,241	1,302,584	1,400,798
<b>Total current liabilities</b>	<b>4,808,541</b>	<b>5,345,600</b>	<b>5,091,276</b>
<b>Total liabilities</b>	<b>9,627,249</b>	<b>11,245,787</b>	<b>10,986,174</b>
<b>Total equity and liabilities</b>	<b>36,810,222</b>	<b>39,727,557</b>	<b>36,455,804</b>

\* Refer to footnote on Page 1

**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 2015	8,999,991	1,292,743	59,244	220,043	12,357,823	22,929,844	10,940	22,940,784
Impact of correction of errors	-	-	-	-	(1,876,515)	(1,876,515)	-	(1,876,515)
Restated balance at 1 January 2015	8,999,991	1,292,743	59,244	220,043	10,481,308	21,053,329	10,940	21,064,269
<b>Comprehensive income for the year (restated)</b>								
Profit for the year	-	-	-	-	4,828,733	4,828,733	(9,386)	4,819,347
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	56,279	-	-	56,279	(10,228)	46,051
Total other comprehensive income for the year	-	-	56,279	-	-	56,279	(10,228)	46,051
Total comprehensive income for the year (restated)	-	-	56,279	-	4,828,733	4,885,012	(19,614)	4,865,398
<b>Transactions with owners of the Company</b>								
Dividend to equity holders	-	-	-	-	(1,999,978)	(1,999,978)	-	(1,999,978)
Share options exercised	-	-	-	(99,047)	99,047	-	-	-
<b>Balance at 31 December 2015</b>	8,999,991	1,292,743	115,523	120,996	13,409,110	23,938,363	(8,674)	23,929,689
Balance at 1 January 2016	8,999,991	1,292,743	115,523	120,996	13,409,110	23,938,363	(8,674)	23,929,689
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	576,906	576,906	(123,773)	453,133
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	(5,752)	-	-	(5,752)	(9,740)	(15,492)
Total other comprehensive income for the year	-	-	(5,752)	-	-	(5,752)	(9,740)	(15,492)
Total comprehensive income for the year	-	-	(5,752)	-	576,906	571,154	(133,513)	437,641
<b>Transactions with owners of the Company</b>								
Bonus issue	500,000	(500,000)	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	(2,501,998)	(2,501,998)	-	(2,501,998)
	500,000	(500,000)	-	-	(2,501,998)	(2,501,998)	-	(2,501,998)
Share options exercised	-	-	-	(22,600)	22,600	-	-	-
<b>Balance at 31 December 2016</b>	9,499,991	792,743	109,771	98,396	11,506,618	22,007,519	(142,187)	21,865,332

\* Refer to footnote on Page 1

**THE COMPANY**

	Share capital €	Share premium €	Share option reserve €	Retained earnings €	Total €
Balance at 1 January 2015	8,999,991	1,292,743	220,043	16,287,701	26,800,478
Impact of correction of errors	-	-	-	(1,330,848)	(1,330,848)
Restated balance at 1 January 2015	8,999,991	1,292,743	220,043	14,956,853	25,469,630
<b>Comprehensive income for the year (restated)</b>					
Profit for the year	-	-	-	4,930,368	4,930,368
Total comprehensive income for the year (restated)	-	-	-	4,930,368	4,930,368
<b>Transactions recorded directly in equity</b>					
Equity portion of financial asset	-	-	-	113,267	113,267
Discount unwind	-	-	-	(31,517)	(31,517)
	-	-	-	81,750	81,750
<b>Transactions with owners of the Company</b>					
Dividend to equity holders	-	-	-	(1,999,978)	(1,999,978)
Share options exercised	-	-	(99,047)	99,047	-
<b>Balance at 31 December 2015</b>	<b>8,999,991</b>	<b>1,292,743</b>	<b>120,996</b>	<b>18,068,040</b>	<b>28,481,770</b>
Balance at 1 January 2016	<b>8,999,991</b>	<b>1,292,743</b>	<b>120,996</b>	<b>18,068,040</b>	<b>28,481,770</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,232,154	1,232,154
Total comprehensive income for the year	-	-	-	1,232,154	1,232,154
<b>Transactions recorded directly in equity</b>					
Discount unwind	-	-	-	(28,953)	(28,953)
	-	-	-	(28,953)	(28,953)
<b>Transactions with owners of the Company</b>					
Bonus issue	500,000	(500,000)	-	-	-
Dividend to equity holders	-	-	-	(2,501,998)	(2,501,998)
Share options exercised	-	-	(22,600)	22,600	-
<b>Balance at 31 December 2016</b>	<b>9,499,991</b>	<b>792,743</b>	<b>98,396</b>	<b>16,791,843</b>	<b>27,182,973</b>

\* Refer to footnote on Page 1

# RS2 Software p.l.c.

## Statements of Comprehensive Income

For the year ended 31 December 2016

	The Group		The Company	
	2016	2015 Restated*	2016	2015 Restated*
	€	€	€	€
<b>Continuing Operations</b>				
Revenue	17,171,291	19,437,614	15,629,023	18,005,849
Cost of sales	(10,307,069)	(10,083,741)	(8,895,042)	(8,794,926)
<b>Gross profit</b>	<b>6,864,222</b>	<b>9,353,873</b>	<b>6,733,981</b>	<b>9,210,923</b>
Other income	41,048	622,804	30,582	622,865
Marketing and promotional expenses	(803,681)	(554,239)	(731,003)	(551,183)
Administrative expenses	(3,609,731)	(2,533,540)	(2,732,932)	(2,278,510)
Capitalised development costs	498,177	860,844	498,177	860,844
Other expenses	(2,146,434)	(1,196,243)	(2,142,477)	(1,196,243)
<b>Results from operating activities</b>	<b>843,601</b>	<b>6,553,499</b>	<b>1,656,328</b>	<b>6,668,696</b>
Finance income	191,033	84,350	243,493	174,573
Finance costs	(153,818)	(211,395)	(142,308)	(210,680)
<b>Net finance income/ (costs)</b>	<b>37,215</b>	<b>(127,045)</b>	<b>101,185</b>	<b>(36,107)</b>
<b>Profit before income tax</b>	<b>880,816</b>	<b>6,426,454</b>	<b>1,757,513</b>	<b>6,632,589</b>
Income tax expense	(427,683)	(1,607,107)	(525,359)	(1,702,221)
<b>Profit for the year</b>	<b>453,133</b>	<b>4,819,347</b>	<b>1,232,154</b>	<b>4,930,368</b>
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences on foreign operations	(15,492)	46,051	-	-
<b>Total comprehensive income</b>	<b>437,641</b>	<b>4,865,398</b>	<b>1,232,154</b>	<b>4,930,368</b>
<b>Profit attributable to:</b>				
Owners of the Company	576,906	4,828,733	1,232,154	4,930,368
Non-controlling interest	(123,773)	(9,386)	-	-
<b>Profit for the year</b>	<b>453,133</b>	<b>4,819,347</b>	<b>1,232,154</b>	<b>4,930,368</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	571,154	4,885,012	1,232,154	4,930,368
Non-controlling interest	(133,513)	(19,614)	-	-
<b>Total comprehensive income for the year</b>	<b>437,641</b>	<b>4,865,398</b>	<b>1,232,154</b>	<b>4,930,368</b>
<b>Earnings per share</b>	<b>€ 0.004</b>	<b>€ 0.030</b>	<b>€ 0.008</b>	<b>€ 0.031</b>

\* Refer to footnote on Page 1



# RS2 Software p.l.c.

## Statements of Cash Flows

For the year ended 31 December 2016

	The Group		The Company	
	2016	2015 Restated*	2016	2015 Restated*
	€	€	€	€
<b>Cash flows from operating activities</b>				
Profit for the year	453,133	4,819,347	1,232,154	4,930,368
Adjustments for:				
Depreciation	653,518	617,127	481,867	452,979
Amortisation of intangible assets	632,256	1,069,462	632,256	1,069,462
Capitalised development costs	(498,177)	(860,844)	(498,177)	(860,844)
Provision for impairment loss on receivables	364,787	(1,169,280)	364,787	(1,169,280)
Bad debts written off	347,423	2,365,523	347,423	2,365,523
Interest payable	124,491	151,997	124,466	151,997
Interest receivable	(12,293)	(13,551)	(46,988)	(72,257)
Unwinding of discount on post -employment benefit	119,328	37,624	109,072	27,572
Unwinding of discount on accrued income	11,189	(30,237)	(17,766)	(61,754)
Income tax	427,683	1,607,107	525,359	1,702,221
Provision for exchange fluctuations	809,339	(196,789)	809,110	(196,789)
Gain on disposal of asset	(8,004)	-	(8,004)	-
Change in fair value of cash flow hedge	(34,933)	(40,562)	(34,933)	(40,562)
	<b>3,389,740</b>	<b>8,356,924</b>	<b>4,020,626</b>	<b>8,298,636</b>
Changes in trade and other receivables	951,892	(435,723)	905,055	(95,514)
Changes in trade and other payables	(88,313)	(183,417)	(231,389)	(173,050)
Cash generated from operating activities	<b>4,253,319</b>	<b>7,737,784</b>	<b>4,694,292</b>	<b>8,030,072</b>
Interest paid	(138,977)	(149,749)	(138,977)	(149,749)
Interest received	1,839	5,451	1,680	53,676
Income taxes paid	(1,446,642)	(1,358,772)	(1,441,803)	(1,358,661)
<b>Net cash from operating activities</b>	<b>2,669,539</b>	<b>6,234,714</b>	<b>3,115,192</b>	<b>6,575,338</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(568,252)	(1,510,230)	(355,037)	(1,386,365)
Proceeds on sale of property plant and equipment	9,000	-	9,000	-
Investment in subsidiary	-	-	(112,105)	(1,499,580)
Advances to subsidiaries	-	-	(842,307)	(608,901)
Repayment of advances to subsidiaries	-	-	28,458	1,873,257
<b>Net cash used in investing activities</b>	<b>(559,252)</b>	<b>(1,510,230)</b>	<b>(1,271,991)</b>	<b>(1,621,589)</b>

\* Refer to footnote on Page 1

# RS2 Software p.l.c.

## Statements of Cash Flows

For the year ended 31 December 2016

	The Group		The Company	
	2016	2015 Restated*	2016	2015 Restated*
	€	€	€	€
<b>Cash flows from financing activities</b>				
Dividends paid	(2,495,477)	(1,996,827)	(2,495,477)	(1,996,827)
Proceeds from bank borrowings	377,791	874,809	377,791	874,809
Repayments of bank borrowings	(968,585)	(866,091)	(968,585)	(866,091)
<b>Net cash used in financing activities</b>	<b>(3,086,271)</b>	<b>(1,988,109)</b>	<b>(3,086,271)</b>	<b>(1,988,109)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(975,984)</b>	<b>2,736,375</b>	<b>(1,243,070)</b>	<b>2,965,640</b>
Cash and cash equivalents at 1 January	7,193,681	4,512,037	6,634,403	3,723,494
Effect of exchange rate fluctuations on cash held	126,458	(54,731)	143,806	(54,731)
<b>Cash and cash equivalents at 31 December</b>	<b>6,344,155</b>	<b>7,193,681</b>	<b>5,535,139</b>	<b>6,634,403</b>

\* Refer to footnote on Page 1

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## **Basis of Preparation**

The consolidated and separate financial statements (the "financial statements") have been prepared and presented 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. These financial statements have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta), (the "Act") to the extent that such provisions do not conflict with the applicable framework.

## **Principal activities**

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

## **Review of Performance**

The Group recognised total revenues of €17.2m in 2016. Revenue generation remained strong and, albeit lower than 2015, it continues to sustain the growth registered in the past years. The decrease in revenue is attributable to the implementation of our strategy of intensifying our focus on the managed services business. Due to the different inherent characteristics of revenue recognition between the license and managed services, this may result in lower revenue and profitability in the interim period until stabilisation occurs.

Processing fees generated by the managed services business, increased by 24%. This increase reflects additional revenue from new and existing clients in the form of implementation and transaction fees. The Group concluded further agreements towards the end of 2016 and in the beginning of 2017, the revenue from which is expected to be realised during 2017 and later years.

Consistent with prior years, service fees from both the licensing and the processing business accounts towards the larger portion of the revenue mix, 61% (2015: 62%). Licence fees amount to 20% (2015: 20%) and maintenance fees amount to 12% (2015: 12%).

In its efforts to continue servicing its current client base and being able to take on potential new client opportunities, the Group continues to invest heavily in human resources and infrastructure, and thus during the year under review it continued to build up its operations staff complement by an average of 11% compared to the prior year. The increase in personnel costs was partly offset by a reduction in amortisation of intangible assets for the year as the earlier additions to intangible assets reached full amortisation by the end of 2015. Total cost of sales for the year amounts to €10.3m.

Gross profit of the Group for the year stands at €6.9m, with a gross profit margin of 40%, a reduction of 8% when compared to 2015. This is attributable to an increase in cost of sales that is not proportionate to the decline in revenues.

Group marketing and promotional expenses increased again for the second year running, this year by 45% (2015: 68%) over the prior year. This reflects the Group's special efforts to bolster its penetration in foreign markets in line with its strategy of global expansion through increased participation in major industry events and marketing related travel. These increased activities are contributing directly to the Group's business pipeline and translating into new clients.

Administrative expenses increased by 43% when compared to 2015 which increase is directly linked to the setting up of the offices in the United States and the Philippines, increase in salaries expenses at the Head Office and other general administrative expenses. Such expenses relate to increased human resources costs, higher travelling expenses, legal and professional set-up costs and premises rental expenses.

Contrary to the previous year, during 2016 the Group was negatively impacted by fluctuations in foreign currency movements amounting to €1.4m as represented under other expenses mainly as result of fluctuations to the Pound Sterling against the Euro.

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## Review of Performance (continued)

The Group recognised a net amount of €0.7m in impairment losses on trade receivables. This is after reversing the effect of provisions for impairment accounted for in previous years and after eliminating the effect of unwinding of amortisation on the receivable balances. These impairment losses result from default and/or doubt on the recovery of receivables accumulated over the past few years. Notwithstanding this, the Group maintains a strong client base widening the diversity of its client portfolio by attracting new clients from different regions across the globe.

EBITDA for 2016 stands at €2.3m, representing 13% of total revenue. Eliminating the effect of the impairment loss, EBITDA would increase to €3m, representing 17% of total revenue.

The Group is reporting a profit before tax of €0.9m, representing a net profit margin of 5%. Income tax expense for the 2016 amounts to €0.4m, leaving a profit after tax of €0.5m.

Group assets decreased from €35.2m to €31.9m and total equity decreased from €23.9m to €21.9m. Net cash generated from operating activities amounts to €2.7m when compared with €6.2m in 2015. After payment of €0.6m in acquisition of property, plant and equipment and a payment of dividend of €2.5m, the Group closes the year with a cash balance of €6.3m, compared with €7.2m at end of 2015. Notwithstanding a year where the Group experienced an increase in staff and other costs relating to expansion in the United States and Philippines and the impact of exchange fluctuations against the Euro, the Group is still in a strong cash flow position to continue with its growth strategy.