

**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 – Chapters 8 and 9.

**Quote**

At the meeting held on 20 April 2010, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2009. 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 Monday, 14 June 2010.

Shareholders appearing on the shareholders' register as at the close of business on Wednesday, 12 May 2010 will receive notice of the Annual General Meeting, together with the Financial Statements for the financial year ended 31 December 2009. The preliminary statement of results that is attached herewith was extracted from the financial statements that were audited by KPMG.

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting the payment of a net final dividend of €0.02c2 per share amounting to €825,000, which are exempt from tax in the hands of the shareholders. This dividend, if approved at the Annual General Meeting, will be paid on Tuesday, 15 June 2010 to shareholders who appear on the shareholders' register as at the close of business on Wednesday, 12 May 2010.

Pursuant to the Malta Stock Exchange Bye-Laws, the shareholders' register as at close of business on Wednesday, 12 May 2010 will include trades undertaken up to and including Friday, 7 May 2010.

**Unquote**



**Dr Ivan Gatt**  
Company Secretary

# RS2 Software p.l.c.

## Statements of Financial Position

As at 31 December 2009

	The Group		The Company	
	2009	2008	2009	2008
	€	€	€	€
<b>ASSETS</b>				
Property, plant and equipment	<b>3,920,437</b>	3,566,154	<b>3,675,504</b>	3,566,154
Intangible assets	<b>6,582,176</b>	5,769,473	<b>5,284,629</b>	5,769,473
Deferred tax assets	<b>139,059</b>	-	<b>139,059</b>	-
Investments in subsidiaries	-	-	<b>905,542</b>	-
Other investments	<b>218,978</b>	-	<b>218,978</b>	-
Loan receivable from other related party	<b>22,274</b>	-	<b>22,274</b>	-
Accrued income	<b>390,365</b>	765,758	<b>390,365</b>	765,758
<b>Total non-current assets</b>	<b>11,273,289</b>	10,101,385	<b>10,636,351</b>	10,101,385
Trade and other receivables	<b>1,536,867</b>	1,447,512	<b>1,530,820</b>	1,447,512
Loans and receivables from related parties	<b>723,708</b>	618,659	<b>1,052,210</b>	618,659
Prepayments	<b>196,576</b>	101,033	<b>182,823</b>	101,033
Accrued income	<b>2,182,900</b>	1,818,753	<b>2,182,900</b>	1,818,753
Other investments	<b>3,141,209</b>	-	<b>3,141,209</b>	-
Cash at bank and in hand	<b>1,452,020</b>	5,447,062	<b>1,349,342</b>	5,447,062
<b>Total current assets</b>	<b>9,233,280</b>	9,433,019	<b>9,439,304</b>	9,433,019
<b>Total assets</b>	<b>20,506,569</b>	19,534,404	<b>20,075,655</b>	19,534,404

# RS2 Software p.l.c.

## Statements of Financial Position

As at 31 December 2009

	The Group		The Company	
	2009	2008	2009	2008
	€	€	€	€
<b>EQUITY</b>				
Share capital	7,500,000	7,500,000	7,500,000	7,500,000
Reserves	2,855,010	2,878,552	2,920,611	2,878,552
Retained earnings	2,967,675	2,767,826	3,044,912	2,767,826
<b>Total equity attributable to equity holders of the Company</b>	<b>13,322,685</b>	13,146,378	<b>13,465,523</b>	13,146,378
<b>Non-controlling interest</b>	<b>436,443</b>	-	-	-
<b>Total equity</b>	<b>13,759,128</b>	13,146,378	<b>13,465,523</b>	13,146,378
<b>LIABILITIES</b>				
Bank borrowings	2,210,503	2,609,554	2,210,503	2,609,554
Finance lease obligations	69,839	-	-	-
Deferred tax liabilities	-	319,058	-	319,058
Accruals	97,591	191,437	97,591	191,437
<b>Total non-current liabilities</b>	<b>2,377,933</b>	3,120,049	<b>2,308,094</b>	3,120,049
Bank borrowings	387,468	357,368	387,468	357,368
Finance lease obligations	85,376	-	-	-
Trade and other payables	1,507,113	745,862	1,466,945	745,862
Accruals	1,549,360	1,342,518	1,607,434	1,342,518
Deferred income	840,191	822,229	840,191	822,229
<b>Total current liabilities</b>	<b>4,369,508</b>	3,267,977	<b>4,302,038</b>	3,267,977
<b>Total liabilities</b>	<b>6,747,441</b>	6,388,026	<b>6,610,132</b>	6,388,026
<b>Total equity and liabilities</b>	<b>20,506,569</b>	19,534,404	<b>20,075,655</b>	19,534,404

# RS2 Software p.l.c.

## Statements of Changes in Equity

For the Year Ended 31 December 2009

### The Group

	Attributable to equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Revaluation reserve	Translation reserve	Fair value reserve	Statutory reserve	Retained earnings			
	€	€	€	€	€	€	€			
Balance at 1 January 2008	1,615,345	-	319,956	-	-	1,732,792	4,337,015	8,005,108	-	8,005,108
<b>Comprehensive income for the year</b>										
Profit or loss	-	-	-	-	-	-	2,548,536	2,548,536	-	2,548,536
<b>Transactions with owners recorded directly in equity</b>										
Interim dividend declared	-	-	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
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	-	4,000,000
Transactions costs	-	(207,266)	-	-	-	-	-	(207,266)	-	(207,266)
Total transactions with owners	5,884,655	2,792,734	(319,956)	-	-	(1,732,792)	(4,031,907)	2,592,734	-	2,592,734
Transfer from retained earnings:										
Unrealised gains	-	-	-	-	-	85,818	(85,818)	-	-	-
Balance at 31 December 2008	7,500,000	2,792,734	-	-	-	85,818	2,767,826	13,146,378	-	13,146,378

# RS2 Software p.l.c.

## Statements of Changes in Equity (continued)

For the Year Ended 31 December 2009

### The Group (continued)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Revaluation reserve	Translation reserve	Fair value reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€	€	€
Balance at 1 January 2009	7,500,000	2,792,734	-	-	-	85,818	2,767,826	13,146,378	-	13,146,378
Equity attributable to non-controlling interest upon business combination	-	-	-	-	-	-	-	-	612,045	612,045
<b>Comprehensive income for the year</b>										
Profit or loss	-	-	-	-	-	-	1,025,699	1,025,699	(145,810)	879,889
<b>Other comprehensive income</b>										
Foreign currency translation differences	-	-	-	(65,601)	-	-	-	(65,601)	(29,792)	(95,393)
Net change in fair value of available-for-sale financial assets	-	-	-	-	41,209	-	-	41,209	-	41,209
Total other comprehensive income for the year	-	-	-	(65,601)	41,209	-	-	(24,392)	(29,792)	(54,184)
Total comprehensive income for the year	-	-	-	(65,601)	41,209	-	1,025,699	1,001,307	(175,602)	825,705
<b>Transactions with owners recorded directly in equity</b>										
Dividend to equity holders	-	-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Transfer from retained earnings: Unrealised gains	-	-	-	-	-	850	(850)	-	-	-
<b>Balance at 31 December 2009</b>	<b>7,500,000</b>	<b>2,792,734</b>	<b>-</b>	<b>(65,601)</b>	<b>41,209</b>	<b>86,668</b>	<b>2,967,675</b>	<b>13,322,685</b>	<b>436,443</b>	<b>13,759,128</b>

# RS2 Software p.l.c.

## Statements of Changes in Equity (continued)

For the Year Ended 31 December 2009

### The Company

	Share capital	Share premium	Revaluation reserve	Translation reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
	€	€	€	€	€	€	€	€
Balance at 1 January 2008	1,615,345	-	319,956	-	-	1,732,792	4,337,015	8,005,108
<b>Comprehensive income for the year</b>								
Profit or loss	-	-	-	-	-	-	2,548,536	2,548,536
<b>Transactions with owners recorded directly in equity</b>								
Interim dividend declared	-	-	-	-	-	-	(1,200,000)	(1,200,000)
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
Transactions costs	-	(207,266)	-	-	-	-	-	(207,266)
Total transactions with owners	5,884,655	2,792,734	(319,956)	-	-	(1,732,792)	(4,031,907)	2,592,734
Transfer from retained earnings:								
Unrealised gains	-	-	-	-	-	85,818	(85,818)	-
Balance at 31 December 2008	7,500,000	2,792,734	-	-	-	85,818	2,767,826	13,146,378

# RS2 Software p.l.c.

## Statements of Changes in Equity (continued)

For the Year Ended 31 December 2009

### The Company (continued)

	Share capital	Share premium	Revaluation reserve	Translation reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
	€	€	€	€	€	€	€	€
Balance at 1 January 2009	7,500,000	2,792,734	-	-	-	85,818	2,767,826	13,146,378
<b>Comprehensive income for the year</b>								
Profit or loss	-	-	-	-	-	-	1,102,936	1,102,936
<b>Other comprehensive income</b>								
Net change in fair value of available-for-sale financial assets	-	-	-	-	41,209	-	-	41,209
Total comprehensive income for the year	-	-	-	-	41,209	-	1,102,936	1,144,145
<b>Transactions with owners recorded directly in equity</b>								
Dividend to equity holders	-	-	-	-	-	-	(825,000)	(825,000)
Transfer from retained earnings:								
Unrealised gains	-	-	-	-	-	850	(850)	-
<b>Balance at 31 December 2009</b>	<b>7,500,000</b>	<b>2,792,734</b>	<b>-</b>	<b>-</b>	<b>41,209</b>	<b>86,668</b>	<b>3,044,912</b>	<b>13,465,523</b>

# RS2 Software p.l.c.

## Statements of Comprehensive Income

For the Year Ended 31 December 2009

	The Group		The Company	
	2009	2008	2009	2008
	€	€	€	€
<b>CONTINUING OPERATIONS</b>				
Revenue	5,896,155	8,335,549	5,896,155	8,335,549
Cost of sales	(4,474,908)	(4,697,392)	(4,354,433)	(4,697,392)
<b>Gross profit</b>	<b>1,421,247</b>	<b>3,638,157</b>	<b>1,541,722</b>	<b>3,638,157</b>
Other income	14,445	80,671	14,445	80,671
Marketing and promotional expenses	(345,456)	(124,664)	(345,368)	(124,664)
Administrative expenses	(903,984)	(606,872)	(810,147)	(606,872)
Capitalised development costs	222,268	122,406	222,268	122,406
Other expenses	(60,340)	(287,510)	(58,719)	(287,510)
<b>Results from operating activities</b>	<b>348,180</b>	<b>2,822,188</b>	<b>564,201</b>	<b>2,822,188</b>
Finance income	101,799	151,640	101,497	151,640
Finance expenses	(18,732)	(73,648)	(11,464)	(73,648)
<b>Net finance income</b>	<b>83,067</b>	<b>77,992</b>	<b>90,033</b>	<b>77,992</b>
<b>Profit before income tax</b>	<b>431,247</b>	<b>2,900,180</b>	<b>654,234</b>	<b>2,900,180</b>
Income tax credit/(expense)	448,642	(351,644)	448,702	(351,644)
<b>Profit for the year</b>	<b>879,889</b>	<b>2,548,536</b>	<b>1,102,936</b>	<b>2,548,536</b>
<b>Other comprehensive income</b>				
Foreign currency translation differences for foreign operations	(95,393)	-	-	-
Net change in fair value of available-for-sale financial assets	41,209	-	41,209	-
	(54,184)	-	41,209	-
Total comprehensive income	825,705	2,548,536	1,144,145	2,548,536
<b>Profit attributable to</b>				
Owners of the Company	1,025,699	2,548,536	1,102,936	2,548,536
Non-controlling interest	(145,810)	-	-	-
<b>Profit for the year</b>	<b>879,889</b>	<b>2,548,536</b>	<b>1,102,936</b>	<b>2,548,536</b>
<b>Total comprehensive income attributable to</b>				
Owners of the Company	1,001,307	2,548,536	1,144,145	2,548,536
Non-controlling interest	(175,602)	-	-	-
<b>Total comprehensive income for the year</b>	<b>825,705</b>	<b>2,548,536</b>	<b>1,144,145</b>	<b>2,548,536</b>
<b>Earnings per share</b>	<b>2c7</b>	<b>7c3</b>	<b>2c9</b>	<b>7c3</b>



# RS2 Software p.l.c.

## Statements of Cash Flows

For the Year Ended 31 December 2009

	The Group		The Company	
	2009	2008	2009	2008
	€	€	€	€
<b>Cash flows from operating activities</b>				
Profit for the year	879,889	2,548,536	1,102,936	2,548,536
Adjustments for:				
Depreciation	113,342	54,076	57,376	54,076
Amortisation of intangible assets	707,112	692,293	707,112	692,293
Capitalised development costs	(222,268)	(122,406)	(222,268)	(122,406)
(Reversal of)/impairment of receivables	(30,455)	233,768	(30,455)	233,768
Interest payable	7,267	402	14	402
Interest receivable	(60,205)	(114,757)	(59,903)	(114,757)
Discount on accrued income	-	73,246	-	73,246
Discount on accrued expense	-	(18,316)	-	(18,316)
Unwinding of discount on accrued income	(39,004)	-	(39,004)	-
Unwinding of discount on accrued expenses	9,755	-	9,755	-
Income tax	(448,642)	351,644	(448,702)	351,644
Provision for exchange fluctuations	27,044	(85,818)	27,044	(85,818)
	943,835	3,612,668	1,103,905	3,612,668
Change in trade and other receivables	(279,317)	(2,122,710)	(142,616)	(2,122,710)
Change in trade and other payables	1,047,157	972,170	996,977	972,170
Change in parent company's balance	(246,380)	(347,615)	(246,380)	(347,615)
Change in group entities' balances	-	348,838	-	348,838
Change in subsidiary companies' balances	-	-	(1,095)	-
Change in other related entities' balances	49,002	-	49,002	-
	1,514,297	2,463,351	1,759,793	2,463,351
Interest paid	(14)	(402)	(14)	(402)
Interest received	59,552	107,565	59,250	107,565
Income tax paid	(9,475)	(22,976)	(9,415)	(22,976)
<b>Net cash from operating activities</b>	<b>1,564,360</b>	<b>2,547,538</b>	<b>1,809,614</b>	<b>2,547,538</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(298,018)	(3,565,458)	(46,504)	(3,565,458)
Investment in subsidiaries	(757,741)	-	(905,542)	-
Investment in other companies	(218,978)	-	(218,978)	-
Acquisition of available-for-sale financial assets	(3,100,000)	-	(3,100,000)	-
Advances to subsidiary company	-	-	(325,816)	-
Repayment of advances to other related parties	1,095	-	1,095	-
Expenses paid by company on behalf of parent company	-	(262,762)	-	(262,762)
Loan repayments on behalf of parent company	-	(590,000)	-	(590,000)
Payments on behalf of group companies	-	(348,838)	-	(348,838)
Receipts by parent company on behalf of company	-	(6,757)	-	(6,757)
Advances by parent company on behalf of company	-	24,014	-	24,014
Repayments from parent company	-	199,035	-	199,035
<b>Net cash used in investing activities</b>	<b>(4,373,642)</b>	<b>(4,550,766)</b>	<b>(4,595,745)</b>	<b>(4,550,766)</b>

# RS2 Software p.l.c.

## Statements of Cash Flows

For the Year Ended 31 December 2009

	The Group		The Company	
	2009	2008	2009	2008
	€	€	€	€
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital	-	4,000,000	-	4,000,000
Transaction costs on issue of shares	-	(207,266)	-	(207,266)
Dividends paid	(825,000)	(330,286)	(825,000)	(330,286)
Proceeds from bank finance	-	2,961,123	-	2,961,123
Repayments of bank borrowings	(489,179)	-	(489,179)	-
Repayment of finance lease	(40,198)	-	-	-
Proceeds from called-up share capital by non-controlling interest	128,428	-	-	-
Advances by non-controlling interest	26,659	-	-	-
<b>Net cash (used in)/from financing activities</b>	<b>(1,199,290)</b>	<b>6,423,571</b>	<b>(1,314,179)</b>	<b>6,423,571</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,008,572)</b>	<b>4,420,343</b>	<b>(4,100,310)</b>	<b>4,420,343</b>
Cash and cash equivalents at 1 January	5,447,062	1,008,152	5,447,062	1,008,152
Cash and cash equivalents acquired through business combinations	11,003	-	-	-
Effect of exchange rate fluctuations on cash held	2,527	18,567	2,590	18,567
<b>Cash and cash equivalents at 31 December</b>	<b>1,452,020</b>	<b>5,447,062</b>	<b>1,349,342</b>	<b>5,447,062</b>

# RS2 Software p.l.c.

## Review of Results

For the Year Ended 31 December 2009

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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 trade mark of BANKWORKS. During the year, the Group expanded its operations to include processing of payment transactions with the use of BANKWORKS.

### Review of Performance

As anticipated, in the light of the prevailing market conditions during 2009 that has effected nearly all segments of the world economies, the Company experienced a decline in service requests from existing clients, who were, during the period, more conservative in their spending. We believe that this cautious approach may persist for the medium term and it will take some time before the previous momentum is regained. Nevertheless, no defaults from any of the company's clients were recorded during the year.

The Company has continued in its strategy of engaging new clients on a Comprehensive Package basis, as opposed to separate Licensing, Maintenance and Service agreements. This new pricing model has the effect of smoothing revenue recognition over the term of the contract, thus eliminating any significant fluctuations previously created by recognition of Licence fees in the first year of signing the contract. During the year, the company concluded two Comprehensive Package Agreements with new clients in Scandinavia and the Middle East and one licence agreement with a client in Egypt. In future years, this approach is expected to enhance the comparability of the company's results.

As a consequence, the Company registered total revenue of € 5,896,155 for the year ended 31 December 2009. This represents a reduction of 29% when compared to the previous year.

Gross profit margin for the year stands at 26%, a decline of 17% from the previous year. This is a direct result of the change in the revenue mix, as well as the fact that the reduction in cost of sales was less than proportionate to the reduction in revenue due to certain expenses being fixed in nature, namely payroll and amortisation expenses. Marketing expenses have increased significantly during the year, in effort to enhance the market's recognition of the Company and its product. An increase was also registered in administrative expenses as a result of the Company's overseas expansion efforts.

# RS2 Software p.l.c.

## Review of Results

For the Year Ended 31 December 2009

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Profit before taxation for the Company amounts to €654,234, a decline of 77% when compared to the profit of €2,900,180 reported in 2008. Income tax for the year results in a credit of €448,702. This is largely attributable to the significant investment tax credits the Company is benefiting from as a result of the investment undertaken in its new premises in Malta, which will be applied against any tax payable by the company in subsequent periods. Profit after taxation amounts to €1,102,936 when compared to €2,548,536 reported for 2008.

In its first year of reporting consolidated results the Group registered a profit before taxation of €431,247. The Group's newly registered subsidiary company in the Philippines earns its revenues from support services provided to the Company's core office in Malta. This does not result in additional revenues for the Group, but rather in substantial cost savings. Group profits were negatively impacted by the results of the United States subsidiary. This subsidiary is still very much in the infancy stages of its operations and as expected reported losses during 2009. We are confident that as the client base increases, the investment in the United States will generate positive contributions in the coming years. Profit after taxation for the Group amounts to €879,889.

Results from operating activities for the Group represent a return of 3% on total shareholder funds. Net assets per share and earnings per share amount to €0.37 and €0.027 respectively. At 31 December 2009, current ratio (current assets to current liabilities) stood at 2.1:1, while debt to equity ratio (interest bearing liabilities to equity) stood at 20%.

The Group's cash flow generating abilities from operating activities remains strong. Regular revenue streams from Comprehensive Package and Maintenance Agreements have gone a long way in allowing the group the necessary resilience to sustain the challenging market conditions faced during the year.