

**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 12 April 2011, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2010. 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, 14 June 2011.

Shareholders appearing on the shareholders' register as at the close of business on Monday, 2 May 2011 will receive notice of the Annual General Meeting, together with the Annual Report and Financial Statements for the financial year ended 31 December 2010. 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 €0.03c2 per share amounting to €1,200,000, which are exempt from tax in the hands of the shareholders. This dividend, if approved at the Annual General Meeting, will be paid on Wednesday, 15 June 2011 to shareholders who appear on the shareholders' register as at the close of business on Monday, 2 May 2011.

Pursuant to the Malta Stock Exchange Bye-Laws, the shareholders' register as at close of business on Monday, 2 May 2011 will include trades undertaken up to and including Wednesday, 27 April 2011.

**Unquote**



**Dr Ivan Gatt**  
**Company Secretary**

# RS2 Software p.l.c.

## Statements of Financial Position

As at 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Assets</b>				
Property, plant and equipment	<b>4,211,118</b>	3,920,437	<b>3,976,788</b>	3,675,504
Intangible assets	<b>6,268,561</b>	6,582,176	<b>4,869,633</b>	5,284,629
Deferred tax assets	<b>1,141,316</b>	139,059	<b>1,141,316</b>	139,059
Investment in subsidiaries	-	-	<b>905,542</b>	905,542
Other investment	<b>218,978</b>	218,978	<b>218,978</b>	218,978
Loans receivable from other related parties	<b>381,252</b>	22,274	<b>381,252</b>	22,274
Accrued income	-	390,365	-	390,365
<b>Total non-current assets</b>	<b>12,221,225</b>	11,273,289	<b>11,493,509</b>	10,636,351
Trade and other receivables	<b>2,647,728</b>	1,536,867	<b>2,552,370</b>	1,530,820
Loans and receivables from related parties	<b>713,451</b>	723,708	<b>1,369,862</b>	1,052,210
Prepayments	<b>109,706</b>	196,576	<b>96,868</b>	182,823
Accrued income	<b>2,029,598</b>	2,182,900	<b>2,029,598</b>	2,182,900
Other investments	<b>2,808,978</b>	3,141,209	<b>2,808,978</b>	3,141,209
Cash at bank and in hand	<b>1,851,808</b>	1,452,020	<b>1,805,150</b>	1,349,342
<b>Total current assets</b>	<b>10,161,269</b>	9,233,280	<b>10,662,826</b>	9,439,304
<b>Total assets</b>	<b>22,382,494</b>	20,506,569	<b>22,156,335</b>	20,075,655

# RS2 Software p.l.c.

## Statements of Financial Position

As at 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Equity</b>				
Share capital	7,500,000	7,500,000	7,500,000	7,500,000
Reserves	3,852,410	2,855,010	3,827,345	2,920,611
Retained earnings	4,131,473	2,967,675	4,266,156	3,044,912
<b>Total equity attributable to equity holders of the Company</b>	<b>15,483,883</b>	<b>13,322,685</b>	<b>15,593,501</b>	<b>13,465,523</b>
Non-controlling interest	224,394	436,443	-	-
<b>Total equity</b>	<b>15,708,277</b>	<b>13,759,128</b>	<b>15,593,501</b>	<b>13,465,523</b>
<b>Liabilities</b>				
Bank borrowings	1,973,229	2,210,503	1,973,229	2,210,503
Finance lease obligations	-	69,839	-	-
Accruals	-	97,591	-	97,591
<b>Total non-current liabilities</b>	<b>1,973,229</b>	<b>2,377,933</b>	<b>1,973,229</b>	<b>2,308,094</b>
Bank borrowings	264,887	387,468	264,887	387,468
Finance lease obligations	75,299	85,376	-	-
Trade and other payables	2,267,961	1,507,113	2,227,798	1,466,945
Accruals	1,229,517	1,549,360	1,233,596	1,607,434
Deferred income	863,324	840,191	863,324	840,191
<b>Total current liabilities</b>	<b>4,700,988</b>	<b>4,369,508</b>	<b>4,589,605</b>	<b>4,302,038</b>
<b>Total liabilities</b>	<b>6,674,217</b>	<b>6,747,441</b>	<b>6,562,834</b>	<b>6,610,132</b>
<b>Total equity and liabilities</b>	<b>22,382,494</b>	<b>20,506,569</b>	<b>22,156,335</b>	<b>20,075,655</b>

# RS2 Software p.l.c.

## Statements of Changes in Equity

For the year ended 31 December 2010

### THE GROUP

Attributable to equity holders of the Company

	Share capital €	Share premium €	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>(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>
Balance at 1 January 2010	7,500,000	2,792,734	(65,601)	41,209	86,668	2,967,675	13,322,685	436,443	13,759,128
<b>Comprehensive income for the year</b>									
Profit or loss	-	-	-	-	-	2,861,431	2,861,431	(248,095)	2,613,336
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	90,666	-	-	-	90,666	36,046	126,712
Net change in fair value of available-for-sale financial assets	-	-	-	37,814	-	-	37,814	-	37,814
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(3,713)	-	-	(3,713)	-	(3,713)
Total other comprehensive income for the year	-	-	90,666	34,101	-	-	124,767	36,046	160,813
Total comprehensive income for the year	-	-	90,666	34,101	-	2,861,431	2,986,198	(212,049)	2,774,149
<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	-	-	-	-	872,633	(872,633)	-	-	-
<b>Balance at 31 December 2010</b>	<b>7,500,000</b>	<b>2,792,734</b>	<b>25,065</b>	<b>75,310</b>	<b>959,301</b>	<b>4,131,473</b>	<b>15,483,883</b>	<b>224,394</b>	<b>15,708,277</b>

# RS2 Software p.l.c.

## Statements of Changes in Equity

For the year ended 31 December 2010

### THE COMPANY

	Share capital €	Share premium €	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>41,209</b>	<b>86,668</b>	<b>3,044,912</b>	<b>13,465,523</b>
Balance at 1 January 2010	7,500,000	2,792,734	41,209	86,668	3,044,912	13,465,523
<b>Comprehensive income for the year</b>						
Profit or loss	-	-	-	-	2,918,877	2,918,877
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale financial assets	-	-	37,814	-	-	37,814
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(3,713)	-	-	(3,713)
Total other comprehensive income for the year	-	-	34,101	-	-	34,101
Total comprehensive income for the year	-	-	34,101	-	2,918,877	2,952,978
<b>Transactions with owners recorded directly in equity</b>						
Dividend to equity holders	-	-	-	-	(825,000)	(825,000)
Transfer from retained earnings: Unrealised gains	-	-	-	872,633	(872,633)	-
<b>Balance at 31 December 2010</b>	<b>7,500,000</b>	<b>2,792,734</b>	<b>75,310</b>	<b>959,301</b>	<b>4,266,156</b>	<b>15,593,501</b>

# RS2 Software p.l.c.

## Statements of Comprehensive Income

For the year ended 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Continuing Operations</b>				
Revenue	<b>7,513,017</b>	5,896,155	<b>7,491,761</b>	5,896,155
Cost of sales	<b>(4,569,680)</b>	(4,474,908)	<b>(4,423,207)</b>	(4,354,433)
<b>Gross profit</b>	<b>2,943,337</b>	1,421,247	<b>3,068,554</b>	1,541,722
Other income	<b>66,388</b>	14,445	<b>61,275</b>	14,445
Marketing and promotional expenses	<b>(462,612)</b>	(345,456)	<b>(458,740)</b>	(345,368)
Administrative expenses	<b>(974,701)</b>	(903,984)	<b>(827,390)</b>	(810,147)
Capitalised development costs	<b>312,981</b>	222,268	<b>312,981</b>	222,268
Other expenses	<b>(320,246)</b>	(60,340)	<b>(308,633)</b>	(58,719)
<b>Results from operating activities</b>	<b>1,565,147</b>	348,180	<b>1,848,047</b>	564,201
Finance income	<b>74,720</b>	101,799	<b>84,595</b>	101,497
Finance costs	<b>(20,223)</b>	(18,732)	<b>(7,482)</b>	(11,464)
<b>Net finance income</b>	<b>54,497</b>	83,067	<b>77,113</b>	90,033
<b>Profit before income tax</b>	<b>1,619,644</b>	431,247	<b>1,925,160</b>	654,234
Income tax credit	<b>993,692</b>	448,642	<b>993,717</b>	448,702
<b>Profit for the year</b>	<b>2,613,336</b>	879,889	<b>2,918,877</b>	1,102,936
<b>Other comprehensive income</b>				
Foreign currency translation differences on foreign operations	<b>126,712</b>	(95,393)	-	-
Net change in fair value of available-for-sale financial assets	<b>34,101</b>	41,209	<b>34,101</b>	41,209
<b>Total comprehensive income</b>	<b>2,774,149</b>	825,705	<b>2,952,978</b>	1,144,145
<b>Profit attributable to:</b>				
Owners of the Company	<b>2,861,431</b>	1,025,699	<b>2,918,877</b>	1,102,936
Non-controlling interest	<b>(248,095)</b>	(145,810)	-	-
<b>Profit for the year</b>	<b>2,613,336</b>	879,889	<b>2,918,877</b>	1,102,936
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>2,986,198</b>	1,001,307	<b>2,952,978</b>	1,144,145
Non-controlling interest	<b>(212,049)</b>	(175,602)	-	-
<b>Total comprehensive income for the year</b>	<b>2,774,149</b>	825,705	<b>2,952,978</b>	1,144,145
<b>Earnings per share</b>	<b>€ 0.076</b>	<b>€ 0.027</b>	<b>€ 0.078</b>	<b>€ 0.029</b>

# RS2 Software p.l.c.

## Statements of Cash Flows

For the year ended 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Cash flows from operating activities</b>				
Profit for the year	2,613,336	879,889	2,918,877	1,102,936
Adjustments for:				
Depreciation	110,681	113,342	59,360	57,376
Amortisation of intangible assets	727,973	707,112	727,973	707,112
Capitalised development costs	(312,981)	(222,268)	(312,981)	(222,268)
Bad debts written off	475,109	-	475,109	-
Reversal of provision for impairment				
loss on receivables	(166,476)	(30,455)	(166,476)	(30,455)
Interest payable	25,176	7,267	316	14
Interest receivable	(50,384)	(60,205)	(50,259)	(59,903)
Unwinding of discount on accrued income	(24,607)	(39,004)	(24,607)	(39,004)
Unwinding of discount on accrued expenses	6,152	9,755	6,152	9,755
Income tax	(993,692)	(448,642)	(993,717)	(448,702)
Provision for exchange fluctuations	(30,177)	27,044	(25,064)	27,044
	2,380,110	943,835	2,614,683	1,103,905
Change in trade and other receivables	(621,789)	(279,317)	(539,925)	(142,616)
Change in trade and other payables	409,842	1,047,157	282,732	996,977
Change in parent company's balance	18,369	(246,380)	18,369	(246,380)
Change in subsidiaries' balances	-	-	-	(1,095)
Change in other related parties' balances	-	49,002	-	49,002
Cash generated from operating activities	2,186,532	1,514,297	2,375,859	1,759,793
Interest paid	(316)	(14)	(316)	(14)
Interest received	38,725	59,552	38,600	59,250
Income taxes paid	(7,470)	(9,475)	(7,445)	(9,415)
<b>Net cash from operating activities</b>	<b>2,217,471</b>	<b>1,564,360</b>	<b>2,406,698</b>	<b>1,809,614</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(235,981)	(298,018)	(226,116)	(46,504)
Investment in subsidiaries	-	(757,741)	-	(905,542)
Investment in other companies	-	(218,978)	-	(218,978)
Acquisition of available-for-sale financial assets	-	(1,000,000)	-	(1,000,000)
Advances to parent company	(378,800)	-	(378,800)	-
Advances to subsidiaries	-	-	(306,929)	(325,816)
Advances to employees trust	(360,000)	-	(360,000)	-
Repayment of advances to parent company	178,200	-	178,200	-
Repayment of advances to subsidiaries	-	-	66,692	-
Repayment of advances to other related parties	-	1,095	-	1,095
<b>Net cash used in investing activities</b>	<b>(796,581)</b>	<b>(2,273,642)</b>	<b>(1,026,953)</b>	<b>(2,495,745)</b>

# RS2 Software p.l.c.

## Statements of Cash Flows

For the year ended 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Cash flows from financing activities</b>				
Dividends paid	(823,827)	(825,000)	(823,827)	(825,000)
Repayments of bank borrowings	(467,504)	(489,179)	(467,504)	(489,179)
Repayments of finance lease	(105,453)	(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 financing activities</b>	<b>(1,396,784)</b>	<b>(1,199,290)</b>	<b>(1,291,331)</b>	<b>(1,314,179)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>24,106</b>	<b>(1,908,572)</b>	<b>88,414</b>	<b>(2,000,310)</b>
Cash and cash equivalents at 1 January	3,573,229	5,447,062	3,470,551	5,447,062
Cash and cash equivalents acquired through business combination	-	11,003	-	-
Effect of fair value movement	20,801	21,209	20,801	21,209
Effect of exchange rate fluctuations on cash held	9,350	2,527	1,062	2,590
Movement in cash pledged as guarantee	(7,887)	-	(7,887)	-
<b>Cash and cash equivalents at 31 December</b>	<b>3,619,599</b>	<b>3,573,229</b>	<b>3,572,941</b>	<b>3,470,551</b>



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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 2009, the Group expanded its operations to include processing of payment transactions with the use of BANKWORKS.

## **Review of Performance**

We are pleased to report that 2010 has once again been a very successful year for RS2, with significant improvements over the previous year. Total revenue for the Company amounts to €7,491,761 an increase of 27% when compared to €5,896,155 in 2009. This increase is attributable to all categories of activities, particularly licences for the use of our BANKWORKS software, which doubled during 2010. Services requested by our clients increased by 18% despite our previous expectations that clients will continue to curtail their budgets as a response to the international market conditions.

Gross profit for the year stands at 41%, compared to 26% in 2009. This increase is directly attributable to the revenue mix where licence fees carry higher margins than other streams of revenues. In addition, unlike last year, in 2010 the Company has benefited from the fixed nature of certain expenses, namely payroll and amortisation expense. As a direct result, increases in cost of sales were not proportionate to increases in revenue, thus yielding a higher gross profit margin.

Consistent with our strategy to further expand our operations to foreign markets, we have increased our investment in marketing and promotional expenses, while we have maintained administrative expenses at the same levels as 2009. We have also increased our investment in research and development, resulting in more development costs being capitalised to our balance sheet rather than expensed to the income statement. Earnings before interest, tax, depreciation and amortisation (EBITDA) amount to €2,635,386, representing an increase of 98% over 2009. At €1,848,047, results from operating activities have more than doubled when compared to 2009. Profit before taxation amounts €1,925,160 an increase of 194% when compared to €654,234 in 2009.

The Company enjoys tax credits which are calculated as a percentage of the investment carried out by it. Any investment tax credit which remains unutilised at the end of the year is not lost, but is carried forward to subsequent years. Such credit is used by the Company to relieve income tax payable on its operations. According to financial reporting standards the recognition of deferred tax asset on the investment tax credit is limited to the amount of the credits that Company

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expects to utilise over the foreseeable future. As of this date, the Company has been able to revise its projections upwards to the extent that such limitation no longer applies, resulting in a significant increase in the income tax credit for the year from €448,702 in 2009 to €993,717 in 2010. At 31 December 2010, the Company had a balance of investment tax credit carried forward of €2,692,093. At a tax rate of 35% this balance has the potential of relieving from tax up to €7,691,694 of taxable profits. This benefit is passed on directly to the shareholders, since any dividends distributed from such profits are exempt from tax.

The Company is reporting a profit after tax of €2,918,877, representing an increase of 165% when compared to profit after tax of €1,102,936 in 2009. Earnings per share are up from €0.029 in 2009 to €0.078 this year.

On a consolidated basis, the Group reported total revenues of €7,513,017 and a gross profit of €2,943,337. Profit after taxation for the Group amounts to €2,613,336. The Group's subsidiary in the United States of America has been working heavily to secure its first clients, and at this stage remains a loss making entity. The Board reiterates its confidence in the growth potential of this market, while maintaining a very close oversight on the company's developments. The Philippines subsidiary is by now fully operational providing cost efficient support services to the core office in Malta and the Group's clients. In addition, the Philippines office is also serving as a base to market our product in the Asian region from where we are receiving very positive response. It is important to point out that the Group's results for 2010 reflect a full year of operations of both subsidiaries, whereas the comparatives in 2009 include only the last six months of the year since the investment in both companies was made in June of 2009.

Results from operating activities for the Group represent a return of 10% on total shareholder funds (2009: 3%). Net assets per share and earnings per share amount to €0.42 (2009: €0.37) and €0.076 (2009: €0.027) respectively. At 31 December 2010, current ratio (current asset to current liabilities) stood at 2.2 (2009: 2.1), while debt to equity ratio stood at 15% (2009:20%).

The cash flow position of the Group remains very strong with net cash generated from operating activities increasing from €1,564,360 to €2,217,471. This augurs very well for the Group's plans to continue investing in research and development, marketing efforts and its subsidiaries, while still being able to maintain and improve on dividend distribution. The Board of directors is this year recommending a final dividend of €0.03c2 per share amounting to a total distribution of €1,200,000, an increase of 45% on the 2009 final dividend.