

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 29 August 2011, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2011. 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
29 August 2011



Condensed Interim Financial Statements

**For the period 1 January 2011 to
30 June 2011**

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the Period 1 January 2011 to 30 June 2011

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RS2 Software p.l.c.

Condensed Interim Financial Statements

For the Period 1 January 2011 to 30 June 2011

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 2011 and its comparative period in 2010. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2010. 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 Company's revenue for the first six months of the year increased by 67% over the same period of 2010 to €4,737,968. This is mostly attributable to licence fees concluded during the period. As at the end of June 2011, the Company managed to meet and exceed its projections for new licence contracts for the year. Licence fees inherently yield higher profit margins than other sources of revenues, and consequently the revenue mix has a significant impact on profitability.

Gross profit for the Company increased from €646,012 in 2010 to €2,168,436 in 2011. Net profit (before tax) increased from €266,223 in 2010 to €1,699,157 in 2011. Gross profit margin for the period under review was 46%, compared with 23% in 2010. Net profit (before tax) margin was 35%, compared with 9% in 2010. The improvements in the profit margins is attributable to the increases in cost of sales not being directly proportionate to increases in revenue.

During the period, RS2 continued to invest in its US subsidiary, albeit with a cautious approach. While the subsidiary remains a loss-making entity, it continues to generate and enhance brand recognition of BANKWORKS within the US market. As a direct result, we have managed to sign on another US client, processing substantial volumes of transactions by using our BANKWORKS platform in the United States.

Similar results are also being achieved in the Asian region through our subsidiary in the Philippines. Whilst this office was initially intended to serve a cost-efficient support centre for the core development centre in Malta and our clients, it has now also developed into a base from where to market BANKWORKS in the region. To date, we have obtained our first client in the Philippines, and we continue to see positive interest from the market in general.

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the Period 1 January 2011 to 30 June 2011

Review of performance and business developments (continued)

Net profit (before tax) for the Group amounts to €1,557,923. EBITDA (earnings before interest, tax, depreciation and amortisation) for the Group stood at €1,933,481, compared to €444,418 for the same period in the previous year. Earnings per share for the Group stood at €0.036 respectively, up from €0.008 in 2010.

While it is not expected that the significant increases in revenue and profitability be maintained at the same levels as those of the first six months, the directors remain confident that more new business can be brought into the Company throughout 2011, and expect that this year will compare very well to the results of 2010.

Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2010, 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 the Condensed Interim Financial Statements.


Dividends

At the Annual General Meeting held on 14 June 2011, the shareholders approved the declaration of a final dividend of €0.03c2 per share amounting to €1,200,000 which was paid on 15 June 2011.

These dividends were distributed from profits that have been relieved from tax by way of investment tax credits under the Business Promotion Act. In accordance with Article 9(1) of the Business Promotion Act, such dividends are exempt from tax in the hands of the shareholders of the Company.

No interim dividends are being recommended.

Approved by the Board of Directors on 29 August 2011 and signed on its behalf by:



Reinhold Schäffter
Chairman



Mario Schembri
Director

RS2 Software p.l.c.

Condensed Statements of Financial Position

As at 30 June 2011

	Note	The Group		The Company	
		30.06.11	31.12.10	30.06.11	31.12.10
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		€	€	€	€
Assets					
Property, plant and equipment	5	4,673,097	4,211,118	4,473,475	3,976,788
Intangible assets	6	5,966,227	6,268,561	4,672,896	4,869,633
Deferred tax assets		879,546	1,141,316	879,546	1,141,316
Investment in subsidiaries		-	-	905,542	905,542
Other investment		218,978	218,978	218,978	218,978
Loans receivable from other related parties		396,399	381,252	396,399	381,252
Total non-current assets		12,134,247	12,221,225	11,546,836	11,493,509
Trade and other receivables		1,992,261	2,647,728	1,983,179	2,552,370
Loans and receivables from related parties		1,201,413	713,451	1,898,124	1,369,862
Prepayments		87,463	109,706	83,860	96,868
Accrued income		2,664,838	2,029,598	2,664,838	2,029,598
Other investments		2,201,704	2,808,978	2,201,704	2,808,978
Cash at bank and in hand		1,155,352	1,851,808	1,105,794	1,805,150
Total current assets		9,303,031	10,161,269	9,937,499	10,662,826
Total assets		21,437,278	22,382,494	21,484,335	22,156,335

RS2 Software p.l.c.

Condensed Statements of Financial Position

As at 30 June 2011

	The Group		The Company	
	30.06.11 (Unaudited)	31.12.10 (Audited)	30.06.11 (Unaudited)	31.12.10 (Audited)
	€	€	€	€
Equity				
Share capital	7,500,000	7,500,000	7,500,000	7,500,000
Reserves	3,360,554	3,852,410	3,389,628	3,827,345
Retained earnings	4,694,868	4,131,473	4,867,004	4,266,156
Total equity attributable to equity holders of the Company	15,555,422	15,483,883	15,756,632	15,593,501
Non-controlling interest	135,708	224,394	-	-
Total equity	15,691,130	15,708,277	15,756,632	15,593,501
Liabilities				
Bank borrowings	1,842,918	1,973,229	1,842,918	1,973,229
Derivatives	26,131	-	26,131	-
Total non-current liabilities	1,869,049	1,973,229	1,869,049	1,973,229
Bank borrowings	346,308	264,887	346,308	264,887
Finance lease obligations	23,785	75,299	-	-
Trade and other payables	777,235	2,267,961	732,090	2,227,798
Accruals	1,966,888	1,229,517	2,017,373	1,233,596
Deferred income	762,883	863,324	762,883	863,324
Total current liabilities	3,877,099	4,700,988	3,858,654	4,589,605
Total liabilities	5,746,148	6,674,217	5,727,703	6,562,834
Total equity and liabilities	21,437,278	22,382,494	21,484,335	22,156,335

RS2 Software p.l.c.

Condensed Statements of Changes in Equity

For the six months ended 30 June 2011

THE GROUP

Attributable to equity holders of the Company

	Share capital €	Share premium €	Translation reserve €	Fair value reserve €	Statutory reserve €	Hedging reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
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
Comprehensive income for the year										
Profit or loss	-	-	-	-	-	-	286,708	286,708	(149,153)	137,555
Other comprehensive income										
Total other comprehensive income for the period	-	-	155,861	44,564	-	-	-	200,425	63,812	264,237
Total comprehensive income for the period	-	-	155,861	44,564	-	-	286,708	487,133	(85,341)	401,792
Transactions with owners recorded directly in equity										
Dividend to equity holders	-	-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Unrealised gains	-	-	-	-	91,392	-	(91,392)	-	-	-
Balance at 30 June 2010	7,500,000	2,792,734	90,260	85,773	178,060	-	2,337,991	12,984,818	351,102	13,335,920
Balance at 1 January 2011	7,500,000	2,792,734	25,065	75,310	959,301	-	4,131,473	15,483,883	224,394	15,708,277
Comprehensive income for the year										
Profit or loss	-	-	-	-	-	-	1,367,214	1,367,214	(73,896)	1,293,318
Other comprehensive income										
Total other comprehensive income for the period	-	-	(54,139)	(20,690)	-	(20,846)	-	(95,675)	(14,790)	(110,465)
Total comprehensive income for the period	-	-	(54,139)	(20,690)	-	(20,846)	1,367,214	1,271,539	(88,686)	1,182,853
Transactions with owners recorded directly in equity										
Dividend to equity holders	-	-	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Transfer from retained earnings: Unrealised gains	-	-	-	-	(396,181)	-	396,181	-	-	-
Balance at 30 June 2011	7,500,000	2,792,734	(29,074)	54,620	563,120	(20,846)	4,694,868	15,555,422	135,708	15,691,130

RS2 Software p.l.c.

Condensed Statements of Changes in Equity

For the six months ended 30 June 2011

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Statutory reserve €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2010	7,500,000	2,792,734	41,209	86,668	-	3,044,912	13,465,523
Comprehensive income for the year							
Profit or loss	-	-	-	-	-	325,737	325,737
Other comprehensive income							
Total other comprehensive income for the period	-	-	44,564	-	-	-	44,564
Total comprehensive income for the period	-	-	44,564	-	-	325,737	370,301
Transactions with owners recorded directly in equity							
Dividend to equity holders	-	-	-	-	-	(825,000)	(825,000)
Transfer from retained earnings: Unrealised gains	-	-	-	91,392	-	(91,392)	-
Balance at 30 June 2010	7,500,000	2,792,734	85,773	178,060	-	2,454,257	13,010,824
Balance at 1 January 2011	7,500,000	2,792,734	75,310	959,301	-	4,266,156	15,593,501
Comprehensive income for the year							
Profit or loss	-	-	-	-	-	1,404,667	1,404,667
Other comprehensive income							
Total other comprehensive income for the period	-	-	(20,690)	-	(20,846)	-	(41,536)
Total comprehensive income for the period	-	-	(20,690)	-	(20,846)	1,404,667	1,363,131
Transactions with owners recorded directly in equity							
Dividend to equity holders	-	-	-	-	-	(1,200,000)	(1,200,000)
Transfer from retained earnings: Unrealised gains	-	-	-	(396,181)	-	396,181	-
Balance at 30 June 2011	7,500,000	2,792,734	54,620	563,120	(20,846)	4,867,004	15,756,632

RS2 Software p.l.c.

Condensed Statements of Comprehensive Income

For the six months ended 30 June 2011

	The Group		The Company	
	30.06.11 (Unaudited)	30.06.10 (Unaudited)	30.06.11 (Unaudited)	30.06.10 (Unaudited)
	€	€	€	€
Continuing Operations				
Revenue	4,737,968	2,839,592	4,737,968	2,839,592
Cost of sales	(2,575,054)	(2,266,414)	(2,569,532)	(2,193,580)
Gross profit	2,162,914	573,178	2,168,436	646,012
Other income	2,862	120,395	10,956	111,847
Marketing and promotional expenses	(170,810)	(282,476)	(170,903)	(278,141)
Administrative expenses	(493,508)	(464,085)	(414,358)	(382,396)
Capitalised development costs	165,093	116,018	165,093	116,018
Other expenses	(141,453)	(15,467)	(129,366)	-
Results from operating activities	1,525,098	47,563	1,629,858	213,340
Finance income	43,043	44,758	46,902	57,158
Finance costs	(10,219)	(14,266)	(7,603)	(4,275)
Net finance income	32,824	30,492	39,299	52,883
Profit before income tax	1,557,922	78,055	1,669,157	266,223
Income tax (expense)/credit	(264,604)	59,500	(264,490)	59,514
Profit for the period	1,293,318	137,555	1,404,667	325,737
Other comprehensive income				
Foreign currency translation differences on foreign operations	(68,929)	219,673	-	-
Net change in fair value of available-for-sale financial assets	(20,690)	44,564	(20,690)	44,564
Effective portion of changes in fair value of cash flow hedges	(20,846)	-	(20,846)	-
Total comprehensive income	1,182,853	401,792	1,363,131	370,301
Profit attributable to:				
Owners of the Company	1,367,214	286,708	1,404,667	325,737
Non-controlling interest	(73,896)	(149,153)	-	-
Profit for the period	1,293,318	137,555	1,404,667	325,737
Total comprehensive income attributable to:				
Owners of the Company	1,271,539	487,133	1,363,131	370,301
Non-controlling interest	(88,686)	(85,341)	-	-
Total comprehensive income for the period	1,182,853	401,792	1,363,131	370,301
Earnings per share	€ 0.036	€ 0.008	€ 0.037	€ 0.009

RS2 Software p.l.c.

Condensed Statements of Cash Flows

For the six months ended 30 June 2011

	The Group		The Company	
	30.06.11 (Unaudited) €	30.06.10 (Unaudited) €	30.06.11 (Unaudited) €	30.06.10 (Unaudited) €
Cash flows from operating activities				
Profit for the year	1,293,318	137,555	1,404,667	325,737
Adjustments for:				
Depreciation	60,332	66,221	34,892	22,652
Amortisation of intangible assets	361,831	357,423	361,831	357,423
Capitalised development costs	(165,093)	(116,018)	(165,093)	(116,018)
Reversal of provision for impairment loss on receivables	(2,616)	-	(2,616)	-
Interest payable	7,631	22,994	-	740
Interest receivable	(43,987)	(33,114)	(43,222)	(33,042)
Unwinding of discount on accrued income	(6,726)	(14,138)	(6,726)	(14,138)
Unwinding of discount on accrued expenses	1,682	3,535	1,682	3,535
Income tax	264,506	(59,500)	264,490	(59,514)
Provision for exchange fluctuations	148,497	(99,940)	136,410	(91,392)
Changes in fair value of cash flow hedges	5,285	-	5,285	-
	1,924,660	265,018	1,991,600	395,983
Change in trade and other receivables	(199,919)	(206,693)	(284,186)	(231,375)
Change in trade and other payables	(900,851)	125,534	(798,194)	112,526
Change in parent company's balance	(102,207)	7,219	(102,207)	7,219
Cash generated from operating activities	721,683	191,078	807,013	284,353
Interest paid	-	(740)	-	(740)
Interest received	25,332	19,344	24,566	19,272
Income taxes paid	(2,736)	(4,765)	(2,720)	(4,751)
Net cash from operating activities	744,279	204,917	828,859	298,134
Cash flows from investing activities				
Acquisition of property, plant and equipment	(519,580)	(9,227)	(512,984)	(6,514)
Proceeds from disposal of plant and equipment	8,000	-	8,000	-
Advances to parent company	(328,302)	(177,500)	(328,302)	(177,500)
Advances to subsidiaries	-	-	(146,992)	(155,212)
Repayment of advances to parent company	184,505	178,200	184,505	178,200
Repayment of advances to subsidiaries	-	-	-	66,692
Net cash used in investing activities	(655,377)	(8,527)	(795,773)	(94,334)

RS2 Software p.l.c.

Condensed Statements of Cash Flows

For the six months ended 30 June 2011

	The Group		The Company	
	30.06.11	30.06.10	30.06.11	30.06.10
	€	€	€	€
Cash flows from financing activities				
Dividends paid	(1,196,450)	(823,328)	(1,196,450)	(823,328)
Proceeds from bank borrowings	123,333	(244,590)	123,333	(244,590)
Repayments of bank borrowings	(225,698)	(52,682)	(225,698)	-
Repayments of finance lease	(49,813)	-	-	-
Net cash used in financing activities	(1,348,628)	(1,120,600)	(1,298,815)	(1,067,918)
Net decrease in cash and cash equivalents	(1,259,726)	(924,210)	(1,265,729)	(864,118)
Cash and cash equivalents at 1 January	3,627,486	3,573,229	3,580,828	3,470,551
Effect of fair value movement	(6,189)	15,063	(6,189)	15,063
Effect of exchange rate fluctuations on cash held	(23,353)	22,139	(20,217)	9,978
Cash and cash equivalents at 30 June	2,338,218	2,686,221	2,288,693	2,631,474

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the Six Months ended 30 June 2011

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 and for the six months ended 30 June 2011 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 2010.

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 2010.

4 Segment reporting

4.1 Information about the Group's reportable segments

For the six months ended 30 June	Licensing		Processing		Total	
	2011	2010	2011	2010	2011	2010
	€	€	€	€	€	€
External revenues	4,737,968	2,839,592	-	-	4,737,968	2,839,592
Reportable segment profit/ (loss) before income tax	1,650,077	265,051	(92,550)	(186,804)	1,557,527	78,247

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

For the six months ended 30 June	2011	2010
	€	€
Total profit for reportable segments	1,557,527	78,247
Elimination of intersegment transactions	395	(192)
Profit before income tax	1,557,922	78,055

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the Six Months ended 30 June 2011

5 Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired assets with a cost of €531,580 (six months ended 30 June 2010: €85,179), and disposed of assets with a cost of €16,306 (six months ended 30 June 2010: €Nil).

6 Intangible assets

During the six months ended 30 June 2011, the Group capitalised expenditure on the development of computer software amounting to €165,093 (six months ended 30 June 2010: €116,018).

7 Related parties

7.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2010, the Group had the

	The Group		The Company	
	30.06.11 (Unaudited) €	30.06.10 (Unaudited) €	30.06.11 (Unaudited) €	30.06.10 (Unaudited) €
Parent company				
Advances to	328,302	177,500	328,302	177,500
Assignment of receivables to	103,516	-	103,516	-
Repayments of advances to	144,259	178,200	144,259	178,200
Payments for assignment of receivables	34,505	-	34,505	-
Interest charged to	4,826	700	4,826	700
Payment of interest charged to	5,741	-	5,741	-
Payments on behalf of Company by	7,049	7,218	7,049	7,218
Dividend payable to	706,800	485,650	706,800	485,650
Dividend paid	706,800	485,650	706,800	485,650
Subsidiaries				
Advances to			142,992	155,212
Repayments of advances to			-	66,692
Interest charged to			4,625	12,471
Payments on behalf of			7,285	-
Other related entities				
Services provided by	264,928	217,005	252,834	217,005
Payments for services provided by	546,729	415,835	534,635	415,835
Services not yet invoiced provided by	-	201,422	-	201,422
Loan repayments by	730	730	730	730
Interest charged to	221	232	221	232
Interest charged by	294	-	-	-

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

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the Six Months ended 30 June 2011

7 Related parties (continued)

7.2 Related party balances

	The Group		The Company	
	30.06.10 (Unaudited) €	30.06.09 (Unaudited) €	30.06.10 (Unaudited) €	30.06.09 (Unaudited) €
Amounts receivable				
Amounts owed by parent company	577,274	141,247	577,274	141,247
Trade receivables owed by other related entities	624,042	562,746	624,042	562,746
Accrued income owed by other related entities	210,000	300,000	210,000	300,000
Amounts owed by subsidiary companies	-	-	696,808	456,607
Amounts owed by other related entities	396,399	22,777	396,399	22,777
Amounts payable				
Trade payables due to other related entities	92,193	47,392	62,391	47,392
Accrued expenses due to subsidiary companies	-	-	72,236	-
Accrued expenses due to other related entities	239,400	201,422	239,400	201,422

RS2 Software p.l.c.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2011

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 2011, as well as the financial performance and cash flows for the period ended 30 June 2011; and
- the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Reinhold Schäffter
Chairman



Mario Schembri
Director