

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 13 April 2012, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2011. 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, 12 June 2012.

Shareholders appearing on the shareholders' register as at the close of business on Friday, 11 May 2012 will receive notice of the Annual General Meeting, together with the Annual Report and Financial Statements for the financial year ended 31 December 2011. The preliminary statement of results that is attached herewith was extracted from the financial statements that were audited by KPMG.

In view of the investments contemplated by the Company, the Board resolved that it was not recommending a distribution of a dividend, so as to utilise funds to expand the business of the Company, particularly the transaction processing and managed services.

The Board further resolved to recommend for approval at the Annual General Meeting, a bonus share issue of one (1) share for every fifteen (15) shares held which will be allotted to shareholders on the Company's share register as at close of business on Friday, 11 May 2012. The bonus issue will be funded by capitalising €500,000 from the share premium reserve of the Company. Application will be made for the necessary authorisation concerning the listing of the shares on the Malta Stock Exchange.

The Board further resolved to recommend for approval at the Annual General Meeting, an increase of its Authorised Share Capital from €8,000,000 divided into 40,000,000 Ordinary Shares of a nominal value of €0.20 each to €10,000,000 divided into 50,000,000 Ordinary Shares of a nominal value of €0.20 each.

Pursuant to the Malta Stock Exchange Bye-Laws, the shareholders' register as at close of business on Friday, 11 May 2012 will include trades undertaken up to and including Tuesday, 8 May 2012.

Unquote



Dr Ivan Gatt
Company Secretary

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2011

| | The Group | | The Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | € | € | € | € |
| Assets | | | | |
| Property, plant and equipment | 5,178,973 | 4,211,118 | 4,983,899 | 3,976,788 |
| Intangible assets | 8,908,374 | 6,268,561 | 7,463,711 | 4,869,633 |
| Deferred tax assets | 1,059,920 | 1,141,316 | 1,059,920 | 1,141,316 |
| Investments in subsidiaries | - | - | 905,542 | 905,542 |
| Other investment | 218,978 | 218,978 | 218,978 | 218,978 |
| Loan receivable from other related parties | 815,533 | 381,252 | 815,533 | 381,252 |
| Total non-current assets | 16,181,778 | 12,221,225 | 15,447,583 | 11,493,509 |
| Trade and other receivables | 2,803,935 | 2,647,728 | 2,787,678 | 2,552,370 |
| Loans and receivables from related parties | 542,024 | 713,451 | 1,388,857 | 1,369,862 |
| Prepayments | 128,374 | 109,706 | 125,104 | 96,868 |
| Accrued income | 2,178,731 | 2,029,598 | 2,178,731 | 2,029,598 |
| Other Investments | 1,027,900 | 2,808,978 | 1,027,900 | 2,808,978 |
| Cash at bank and in hand | 1,666,195 | 1,851,808 | 1,628,216 | 1,805,150 |
| Total current assets | 8,347,159 | 10,161,269 | 9,136,486 | 10,662,826 |
| Total assets | 24,528,937 | 22,382,494 | 24,584,069 | 22,156,335 |

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2011

| | The Group | | The Company | |
|---|-------------------|------------|-------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| | € | € | € | € |
| Equity | | | | |
| Share capital | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 |
| Reserves | 3,767,055 | 3,852,410 | 3,722,115 | 3,827,345 |
| Retained earnings | 5,430,753 | 4,131,473 | 5,591,127 | 4,266,156 |
| Total equity attributable to equity holders of the Company | 16,697,808 | 15,483,883 | 16,813,242 | 15,593,501 |
| Non-controlling interest | 76,878 | 224,394 | - | - |
| Total equity | 16,774,686 | 15,708,277 | 16,813,242 | 15,593,501 |
| Liabilities | | | | |
| Bank borrowings | 4,328,002 | 1,973,229 | 4,328,002 | 1,973,229 |
| Derivatives | 151,137 | - | 151,137 | - |
| Total non-current liabilities | 4,479,139 | 1,973,229 | 4,479,139 | 1,973,229 |
| Bank borrowings | 926,875 | 264,887 | 926,875 | 264,887 |
| Finance lease obligations | - | 75,299 | - | - |
| Trade and other payables | 1,165,810 | 2,267,961 | 976,612 | 2,227,798 |
| Accruals | 226,683 | 1,229,517 | 432,457 | 1,233,596 |
| Deferred income | 955,744 | 863,324 | 955,744 | 863,324 |
| Total current liabilities | 3,275,112 | 4,700,988 | 3,291,688 | 4,589,605 |
| Total liabilities | 7,754,251 | 6,674,217 | 7,770,827 | 6,562,834 |
| Total equity and liabilities | 24,528,937 | 22,382,494 | 24,584,069 | 22,156,335 |

RS2 Software p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2011

THE GROUP

Attributable to equity holders of the Company

| | Share capital € | Share premium € | Translation reserve € | Fair value reserve € | Statutory reserve € | Share option 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 | - | - | - | - | - | - | 2,861,431 | 2,861,431 | (248,095) | 2,613,336 |
| Other comprehensive income | | | | | | | | | | |
| Foreign currency translation differences | - | - | 90,666 | - | - | - | - | 90,666 | 36,046 | 126,712 |
| Net changes 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 |
| Transactions with owners recorded directly in equity | | | | | | | | | | |
| Dividend to equity holders | - | - | - | - | - | - | (825,000) | (825,000) | - | (825,000) |
| Transfer to retained earnings: Unrealised gains | - | - | - | - | 872,633 | - | (872,633) | - | - | - |
| Balance at 31 December 2010 | 7,500,000 | 2,792,734 | 25,065 | 75,310 | 959,301 | - | 4,131,473 | 15,483,883 | 224,394 | 15,708,277 |
| 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 | - | - | - | - | - | - | 2,412,620 | 2,412,620 | (136,408) | 2,276,212 |
| Other comprehensive income | | | | | | | | | | |
| Foreign currency translation differences | - | - | 19,875 | - | - | - | - | 19,875 | (11,108) | 8,767 |
| Net changes in fair value of available-for-sale financial assets | - | - | - | 11,042 | - | - | - | 11,042 | - | 11,042 |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss | - | - | - | (58,452) | - | - | - | (58,452) | - | (58,452) |
| Total other comprehensive income for the year | - | - | 19,875 | (47,410) | - | - | - | (27,535) | (11,108) | (38,643) |
| Total comprehensive income for the year | - | - | 19,875 | (47,410) | - | - | 2,412,620 | 2,385,085 | (147,516) | 2,237,569 |
| 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 | - | - | - | - | (86,660) | 28,840 | 86,660 | 28,840 | - | 28,840 |
| Balance at 31 December 2011 | 7,500,000 | 2,792,734 | 44,940 | 27,900 | 872,641 | 28,840 | 5,430,753 | 16,697,808 | 76,878 | 16,774,686 |

RS2 Software p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2011

THE COMPANY

| | Share capital € | Share premium € | Fair value reserve € | Statutory reserve € | Share option 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 | - | - | - | - | - | 2,918,877 | 2,918,877 |
| Other comprehensive income | | | | | | | |
| Net changes in fair value of available-for-sale financial assets | - | - | 37,814 | - | - | - | 37,814 |
| Net changes 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 |
| Transactions with owners recorded directly in equity | | | | | | | |
| Dividend to equity holders | - | - | - | - | - | (825,000) | (825,000) |
| Transfer to retained earnings: Unrealised gains | - | - | - | 872,633 | - | (872,633) | - |
| Balance at 31 December 2010 | 7,500,000 | 2,792,734 | 75,310 | 959,301 | - | 4,266,156 | 15,593,501 |
| 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 | - | - | - | - | - | 2,438,311 | 2,438,311 |
| Other comprehensive income | | | | | | | |
| Net changes in fair value of available-for-sale financial assets | - | - | 11,042 | - | - | - | 11,042 |
| Net changes in fair value of available-for-sale financial assets transferred to profit or loss | - | - | (58,452) | - | - | - | (58,452) |
| Total other comprehensive income for the year | - | - | (47,410) | - | - | - | (47,410) |
| Total comprehensive income for the year | - | - | (47,410) | - | - | 2,438,311 | 2,390,901 |
| Transactions with owners recorded directly in equity | | | | | | | |
| Dividend to equity holders | - | - | - | - | - | (1,200,000) | (1,200,000) |
| Transfer from retained earnings: Unrealised gains | - | - | - | (86,660) | 28,840 | 86,660 | 28,840 |
| Balance at 31 December 2011 | 7,500,000 | 2,792,734 | 27,900 | 872,641 | 28,840 | 5,591,127 | 16,813,242 |

RS2 Software p.l.c.

Statements of Comprehensive Income

For the year ended 31 December 2011

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | € | € | € | € |
| Continuing Operations | | | | |
| Revenue | 8,805,776 | 7,513,017 | 8,805,776 | 7,491,761 |
| Cost of Sales | (4,844,649) | (4,569,680) | (4,897,475) | (4,423,207) |
| Gross profit | 3,961,127 | 2,943,337 | 3,908,301 | 3,068,554 |
| Other income | 101,605 | 66,388 | 94,307 | 61,275 |
| Marketing and promotional expenses | (346,813) | (462,612) | (403,633) | (458,740) |
| Administrative expenses | (1,445,255) | (974,701) | (1,190,882) | (827,390) |
| Capitalised development costs | 361,410 | 312,981 | 361,410 | 312,981 |
| Other expenses | (261,909) | (320,246) | (251,133) | (308,633) |
| Results from operating activities | 2,370,165 | 1,565,147 | 2,518,370 | 1,848,047 |
| Finance income | 173,770 | 74,720 | 183,731 | 84,595 |
| Finance expenses | (166,057) | (20,223) | (162,245) | (7,482) |
| Net finance income | 7,713 | 54,497 | 21,486 | 77,113 |
| Profit before income tax | 2,377,878 | 1,619,644 | 2,539,856 | 1,925,160 |
| Income tax (expense)/credit | (101,666) | 993,692 | (101,545) | 993,717 |
| Profit for the year | 2,276,212 | 2,613,336 | 2,438,311 | 2,918,877 |
| Other comprehensive income | | | | |
| Foreign currency translation differences on foreign operations | 8,767 | 126,712 | - | - |
| Net change in fair value of available-for-sale financial assets | (47,410) | 34,101 | (47,410) | 34,101 |
| Total comprehensive income | 2,237,569 | 2,774,149 | 2,390,901 | 2,952,978 |
| Profit attributable to: | | | | |
| Owners of the Company | 2,412,620 | 2,861,431 | 2,438,311 | 2,918,877 |
| Non-controlling interest | (136,408) | (248,095) | - | - |
| Profit for the year | 2,276,212 | 2,613,336 | 2,438,311 | 2,918,877 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 2,385,085 | 2,986,198 | 2,390,901 | 2,952,978 |
| Non-controlling interest | (147,516) | (212,049) | - | - |
| Total comprehensive income for the year | 2,237,569 | 2,774,149 | 2,390,901 | 2,952,978 |
| Earnings per share | € 0.064 | € 0.076 | € 0.065 | € 0.078 |

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2011

| | The Group | | The Company | |
|---|--------------------|------------------|--------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | € | € | € | € |
| Cash flows from operating activities | | | | |
| Profit for the year | 2,276,212 | 2,613,336 | 2,438,311 | 2,918,877 |
| Adjustments for: | | | | |
| Depreciation | 129,076 | 110,682 | 77,025 | 59,362 |
| Amortisation of intangible assets | 767,332 | 727,977 | 767,332 | 727,977 |
| Capitalised development costs (Release in)/provision for impairment loss on receivables | (361,410) | (312,981) | (361,410) | (312,981) |
| | 261,909 | (166,476) | 251,133 | (166,476) |
| Bad debts written off | - | 475,109 | - | 475,109 |
| Interest payable | 149,028 | 132,540 | 134,688 | 107,680 |
| Interest receivable | (79,869) | (50,384) | (79,074) | (50,259) |
| Unwinding of discount on accrued income | (9,635) | (24,607) | (9,635) | (24,607) |
| Unwinding of discount on accrued expenses | 2,409 | 6,152 | 2,409 | 6,152 |
| Gain on sale of property plant and equipment | (8,000) | - | (8,000) | - |
| Income tax | 101,666 | (993,692) | 101,545 | (993,717) |
| Provision for exchange fluctuations | (121,261) | (30,177) | (117,641) | (25,064) |
| Changes in fair value of interest rate swap | 151,137 | - | 151,137 | - |
| | 3,258,594 | 2,487,479 | 3,347,820 | 2,722,053 |
| Change in trade and other receivables | (257,400) | (621,794) | (206,263) | (539,931) |
| Change in trade and other payables | (1,941,270) | 409,842 | (1,944,967) | 282,732 |
| Change in parent company's balance | (435,909) | 18,369 | (435,909) | 18,369 |
| Cash generated from operating activities | 624,015 | 2,293,896 | 760,681 | 2,483,223 |
| Interest paid | (134,688) | (107,680) | (134,688) | (107,680) |
| Interest received | 44,668 | 38,725 | 43,873 | 38,600 |
| Income taxes paid | (20,171) | (7,470) | (20,149) | (7,445) |
| Net cash from operating activities | 513,824 | 2,217,471 | 649,717 | 2,406,698 |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment | (998,367) | (235,981) | (989,114) | (226,116) |
| Proceeds on sale of property plant and equipment | 8,000 | - | 8,000 | - |
| Acquisition of intangible asset | (3,000,000) | - | (3,000,000) | - |
| Advances to parent company | (328,302) | (378,800) | (328,302) | (378,800) |
| Advances to subsidiaries | - | - | (194,449) | (306,929) |
| Advances to RS2 Employees Trust | - | (360,000) | - | (360,000) |
| Repayment of advances to parent company | 144,259 | 178,200 | 144,259 | 178,200 |
| Repayment of advances to subsidiaries | - | - | 9,899 | 66,692 |
| Net cash used in investing activities | (4,174,410) | (796,581) | (4,349,707) | (1,026,953) |

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2011

| | The Group | | The Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | € | € | € | € |
| Cash flows from financing activities | | | | |
| Dividends paid | (1,197,769) | (823,827) | (1,197,769) | (823,827) |
| Proceeds from bank borrowings | 3,418,958 | - | 3,418,958 | - |
| Repayments of bank borrowings | (497,214) | (467,504) | (497,214) | (467,504) |
| Repayments of finance lease | (75,326) | (105,453) | - | - |
| Net cash from/(used) in financing activities | 1,648,649 | (1,396,784) | 1,723,975 | (1,291,331) |
| Net (decrease)/increase in cash and cash equivalents | (2,011,937) | 24,106 | (1,976,015) | 88,414 |
| Cash and cash equivalents at 1 January | 3,619,599 | 3,573,229 | 3,572,941 | 3,470,551 |
| Effect of fair value movements | (13,172) | 20,801 | (13,172) | 20,801 |
| Effect of exchange rate fluctuations on cash held | 63,818 | 9,350 | 36,575 | 1,062 |
| Movement in cash pledged as guarantee | (152) | (7,887) | (152) | (7,887) |
| Cash and cash equivalents at 31 December | 1,658,156 | 3,619,599 | 1,620,177 | 3,572,941 |

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 financial year ended 31 December 2011 has once again proved a successful year for RS2 Software. Total revenue for the year for the Company amounts to €8,805,776, an increase of 18% over the total revenue for the previous year. The increase in revenue is mostly attributable to increases in licence fees during year, a direct result of an increase in customer base and additional licensing required by our existing customers.

Cost of sales increased by 11% over 2010. This increase represents increase in employee costs and subcontracted expenses incurred to increase our capacity in order to meet the additional demands from our customers. Gross profit margin for the year stood at 44%, an improvement of 3% when compared to 2010.

We have maintained a consistent investment in our marketing strategies. We believe that maintaining the RS2 name visible throughout the industry and in different markets enables us to further promote our BANKWORKS solutions and continually increase market recognition. Investment in development in BANKWORKS increased by 15% during the year, which continues to reflect our commitment to maintaining our solutions at the front end of the industry requirements and technological advances.

Administrative expenses for the company have increased by 44% when compared to the previous year. Other income comprises gains on foreign currency exchange, and gain on disposal of tangible assets, while other expenses comprise provisions for impairments on trade receivables.

Profit before taxation for the Company increased by 32% from €1,925,160 in 2010 to €2,539,856 in 2011, while earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 28% from €2,635,384 in 2010 to €3,362,727 in 2011. Although the tax charge increased to €101,545 from a credit of €993,717 in 2010, resulting in a decrease of 16% in the net profit after tax, substantially this does not represent cash payments made by the company towards income tax but is the result of the application of accounting rules. The Company continues to enjoy investment tax credits which are calculated as a percentage of the investment undertaken by it during the year. These tax credits are available to reduce the income tax payable for the year, and any amount unutilised by the end of the year is carried forward to the next year. At 31 December 2011, the Company had a balance of €2,554,427 of unutilised investment tax credit which will be used to relieve future income tax payable. We expect that the company will continue to increase its balances of investment tax credit through further investments in development costs in the BANKWORKS software as well as the new premises in Malta.

On a consolidated basis, the Group reports profit before taxation of €2,377,878, an increase of 47% when compared to 2010. The Group's wholly owned subsidiary in the Philippines continued to assist the development team in Malta and provide support services to clients worldwide. The United States subsidiary, Transworks, continued in its efforts to engage new clients during the year. We are now happy to announce that Transworks has managed to secure sponsorship by a prominent bank in the United States which goes a long way in assuring that the subsidiary is in a position to start offering its services to new clients. RS2 is working very closely with Transworks with plans for the subsidiary to launch its processing services towards the second half of 2012.

Review of Performance (continued)

Results from operating activities for the Group represent a return of 14% on shareholder funds (2010: 10%). Net assets per share and earnings per share amount to €0.45 (2010: €0.42) and €0.064 (2010: €0.076) respectively.

During the year, the group acquired software rights comprising the ownership title and unrestricted right to explore and use in Scandinavia the BANKWORKS software system, source code, documentation and updates/upgrades thereof. Prior to the acquisition, such rights belonged to a related party, as a result of which the Group incurred substantial commission expense on all revenues derived from this region. As a consequence of the acquisition, the Group entered into an obligation to settle in full all outstanding commissions payable to the third party. This negatively affected the net cash flow generated from operating activities, however this represents a one-time lump-sum payment which will not recur in future. The cost of the commission that will be saved as a result of this investment will start to be realised with effect from 2012. With this acquisition moreover, the Group holds exclusive rights to market its BANKWORKS software on a worldwide basis, with no restrictions.

2011 was a busy year with the construction of the new premises in Malta. The administrative wing of the premises is already in use with full completion of the first phase of the project expected by the third quarter of 2012. The first phase will house the core development centre, project management team and finance, administration and marketing departments.

As previously announced, the Group's strategy for the coming years will be geared towards consolidating its core business and intensively spearheading its proposed transaction processing and managed services worldwide. Plans are already underway for a second phase of the new premises which will provide the infrastructure required to offer these services. To this end, the Group will be setting aside its cash reserve to finance the investment in the processing and managed services.