

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 28 August 2012, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2012. 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
28 August 2012



Condensed Interim Financial Statements

**For the six months ended
30 June 2012**

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the six months ended 30 June 2012

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RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2012

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 2012 and its comparative period in 2011. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2011. 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

During the first half of 2012 the Company registered total revenue of €3,572,448. It is inherent in the business that the timing of conclusion of new licence agreements may influence, positively or negatively, the performance in any given period. During 2011, the more significant licence agreements were concluded in the first half of the year. The Company is currently in an advanced stage of negotiations for the sale of more licences in Europe, North America and Latin America, which we expect will be concluded by the end of the year.

Gross profit for the period stands at 31% of revenue. Marketing expenses have increased as a result of increased activities to continue to promote the BANKWORKS brand. Administrative expenses have also increased due to additional costs to invest in and retain human resources, as well as increases in depreciation and other expenses linked to the new premises.

The investment carried out by the Company continues to generate substantial investment tax credits. During the first six months, the Company has accumulated a net tax credit of €601,596. Net profit after tax for the first six months of the year amounts to €1,187,462.

The Company has also continued with its efforts in the setting up of the operations of its new subsidiary in Malta to offer managed services. Industry developments are creating an increased demand for managed services and RS2 is placed in a strong position to offer such services by making use of its BANKWORKS platform. Besides diversifying the streams of revenue, the new services will also bring in regular income on a per-transaction basis as opposed to one-time licence fees, thereby providing a smoothing effect on the revenues and performance of the Group as a whole.

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2012

Review of performance and business developments (continued)

Significant progress has been made in the new premises in Mosta. As of this date, all resources in Malta have been moved to the new premises and these are now fully operational.

Net profit after tax for the Group amounts to €1,130,557. Earnings per share remain fairly constant at €0.03c0 per share. The Board expects that the performance for the second half of the year to show an improvement on the first six months, and that 2012 will once again prove a successful year for RS2.

Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2011, 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 these Condensed Interim Financial Statements.

Dividends

Due to further substantial investment in infrastructure and business development, the Board is not declaring an interim dividend.

Approved by the Board of Directors on 28 August 2012 and signed on its behalf by:



Mario Schembri
Chairman



Radi El Haj
Director

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2012

	The Group		The Company	
	30.06.12	31.12.11	30.06.12	31.12.11
	Unaudited	Audited	Unaudited	Audited
	€	€	€	€
Assets				
Property, plant and equipment	6,265,906	5,178,973	6,261,342	4,983,899
Intangible assets	8,637,092	8,908,374	7,152,381	7,463,711
Deferred tax assets	1,662,718	1,059,920	1,662,718	1,059,920
Investment in subsidiaries	-	-	758,942	905,542
Other investment	218,978	218,978	218,978	218,978
Loans receivable from other related parties	804,018	815,533	804,018	815,533
Total non-current assets	17,588,712	16,181,778	16,858,379	15,447,583
Trade and other receivables	2,945,088	2,803,935	2,810,065	2,787,678
Loans and receivables from related parties	1,204,607	542,024	1,938,310	1,388,857
Prepayments	93,567	128,374	92,574	125,104
Accrued income	2,540,417	2,178,731	2,540,417	2,178,731
Other investments	685,049	1,027,900	685,049	1,027,900
Cash at bank and in hand	674,923	1,666,195	672,716	1,628,216
Total current assets	8,143,651	8,347,159	8,739,131	9,136,486
Total assets	25,732,363	24,528,937	25,597,510	24,584,069

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2012

	The Group		The Company	
	30.06.12 Unaudited	31.12.11 Audited	30.06.12 Unaudited	31.12.11 Audited
	€	€	€	€
Equity				
Share capital	7,999,991	7,500,000	7,999,991	7,500,000
Reserves	3,709,984	3,767,055	3,654,474	3,722,115
Retained earnings	6,198,325	5,430,753	6,334,851	5,591,127
Total equity attributable to equity holders of the Company	17,908,300	16,697,808	17,989,316	16,813,242
Non-controlling interest	20,488	76,878	-	-
Total equity	17,928,788	16,774,686	17,989,316	16,813,242
Liabilities				
Bank borrowings	4,472,304	4,328,002	4,472,304	4,328,002
Derivatives	199,208	151,137	199,208	151,137
Total non-current liabilities	4,671,512	4,479,139	4,671,512	4,479,139
Bank borrowings	902,518	926,875	902,518	926,875
Trade and other payables	773,714	1,165,810	578,493	976,612
Accruals	422,989	226,683	422,829	432,457
Deferred income	1,032,842	955,744	1,032,842	955,744
Total current liabilities	3,132,063	3,275,112	2,936,682	3,291,688
Total liabilities	7,803,575	7,754,251	7,608,194	7,770,827
Total equity and liabilities	25,732,363	24,528,937	25,597,510	24,584,069

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2012

THE GROUP

Attributable to equity holders of the Company

	Share capital €	Share premium €	Translation reserve €	Fair value reserve €	Statutory reserve €	Hedging reserve €	Share Option reserve	Retained earnings €	Total €	Non-controlling interest €	Total equity €
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 period											
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)
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
Balance at 1 January 2012	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
Comprehensive income for the period											
Profit or loss	-	-	-	-	-	-	-	1,195,486	1,195,486	(64,919)	1,130,567
Other comprehensive income											
Foreign currency translation differences	-	-	26,395	-	-	-	-	-	26,395	8,529	34,924
Net change in fair value of available-for-sale financial assets	-	-	-	927	-	-	-	-	927	-	927
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(28,042)	-	-	-	-	(28,042)	-	(28,042)
Total other comprehensive income for the period	-	-	26,395	(27,115)	-	-	-	-	(720)	8,529	7,809
Total comprehensive income for the period	-	-	26,395	(27,115)	-	-	-	1,195,486	1,194,766	(56,390)	1,138,376
Transactions with owners recorded directly in equity											
Bonus Issue	499,991	(499,991)	-	-	-	-	-	-	-	-	-
Transfer from retained earnings:											
Unrealised gains	-	-	-	-	443,738	-	15,726	(443,738)	15,726	-	15,726
Transfer of translation reserve upon disposal of subsidiary	-	-	(15,824)	-	-	-	-	15,824	-	-	-
Balance at 30 June 2012	7,999,991	2,292,743	55,511	785	1,316,379	-	44,566	6,198,325	17,908,300	20,488	17,928,788

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2012

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Statutory reserve €	Hedging Reserve €	Share Option reserve €	Retained earnings €	Total €
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 period								
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
Balance at 1 January 2012	7,500,000	2,792,734	27,900	872,641	-	28,840	5,591,127	16,813,242
Comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	1,187,464	1,187,464
Other comprehensive income								
Total other comprehensive income for the period	-	-	927	-	-	-	-	927
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(28,042)	-	-	-	-	(28,042)
Total other comprehensive income for the period	-	-	(27,115)	-	-	-	-	(27,115)
Total comprehensive income for the period	-	-	(27,115)	-	-	-	1,187,464	1,160,349
Transactions with owners recorded directly in equity								
Bonus Issue	499,991	(499,991)	-	-	-	-	-	-
Transfer from retained earnings: Unrealised gains	-	-	-	443,740	-	15,725	(443,740)	15,725
Balance at 30 June 2012	7,999,991	2,292,743	785	1,316,381	-	44,565	6,334,851	17,989,316

RS2 Software p.l.c.

Statements of Comprehensive Income

For the six months ended 30 June 2012

	The Group		The Company	
	30.06.12 Unaudited	30.06.11 Unaudited	30.06.12 Unaudited	30.06.11 Unaudited
	€	€	€	€
Continuing Operations				
Revenue	3,572,448	4,737,968	3,572,448	4,737,968
Cost of sales	(2,486,394)	(2,575,054)	(2,449,226)	(2,569,532)
Gross profit	1,086,054	2,162,914	1,123,222	2,168,436
Other income	111,388	2,862	98,717	10,956
Marketing and promotional expenses	(258,829)	(170,810)	(255,584)	(170,903)
Administrative expenses	(573,529)	(493,508)	(506,790)	(414,358)
Capitalised development costs	168,690	165,093	168,690	165,093
Other expenses	(991)	(141,453)	(992)	(129,366)
Results from operating activities	532,783	1,525,098	627,263	1,629,858
Finance income	114,228	43,043	72,416	46,902
Finance costs	(118,047)	(10,219)	(113,813)	(7,603)
Net finance income	(3,819)	32,824	(41,397)	39,299
Profit before income tax	528,964	1,557,922	585,866	1,669,157
Income tax credit/(expense)	601,593	(264,604)	601,596	(264,490)
Profit for the period	1,130,557	1,293,318	1,187,462	1,404,667
Other comprehensive income				
Foreign currency translation differences on foreign operations	34,918	(68,929)	-	-
Net change in fair value of available-for-sale financial assets	(27,115)	(20,690)	(27,115)	(20,690)
Effective portion of changes in fair value of cash flow hedges	-	(20,846)	-	(20,846)
Total comprehensive income	1,138,360	1,182,853	1,160,347	1,363,131
Profit attributable to:				
Owners of the Company	1,195,476	1,367,214	1,187,462	1,404,667
Non-controlling interest	(64,919)	(73,896)	-	-
Profit for the period	1,130,557	1,293,318	1,187,462	1,404,667
Total comprehensive income attributable to:				
Owners of the Company	1,194,757	1,271,539	1,160,347	1,363,131
Non-controlling interest	(56,397)	(88,686)	-	-
Total comprehensive income for the period	1,138,360	1,182,853	1,160,347	1,363,131
Earnings per share	€ 0.030	€ 0.034	€ 0.030	€ 0.035

RS2 Software p.l.c.

Statements of Cash Flows

For the six months ended 30 June 2012

	The Group		The Company	
	30.06.12	30.06.11	30.06.12	30.06.11
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from operating activities				
Profit for the period	1,130,557	1,293,318	1,187,462	1,404,667
Adjustments for:				
Depreciation	54,557	60,332	43,090	34,892
Amortisation of intangible assets	480,021	361,831	480,021	361,831
Capitalised development costs	(168,690)	(165,093)	(168,690)	(165,093)
Reversal of provision for impairment loss on receivables	992	(2,616)	992	(2,616)
Interest payable	69,030	7,631	61,424	-
Interest receivable	(41,618)	(43,987)	(41,605)	(43,222)
Unwinding of discount on accrued income	-	(6,726)	-	(6,726)
Unwinding of discount on accrued expenses	-	1,682	-	1,682
Income tax	(601,594)	264,506	(601,596)	264,490
Provision for exchange fluctuations	(137)	148,497	2,536	136,410
Gain on disposal of assets	(83,826)	-	(38,411)	-
Fair value of share option	15,725	-	15,725	-
Changes in fair value of cash flow hedges	48,071	5,285	48,071	5,285
	903,088	1,924,660	989,019	1,991,600
Change in trade and other receivables	(607,552)	(199,919)	(619,618)	(284,186)
Change in trade and other payables	(350,454)	(900,851)	(352,324)	(798,194)
Change in parent company's balance	-	(102,207)	-	(102,207)
Cash generated from operating activities	(54,918)	721,683	17,077	807,013
Interest paid	(127,004)	-	(127,004)	-
Interest received	23,705	25,332	23,693	24,566
Income taxes paid	(1,204)	(2,736)	(1,202)	(2,720)
Net cash from operating activities	(159,421)	744,279	(87,436)	828,859
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,271,455)	(519,580)	(1,264,453)	(512,984)
Proceeds from sale of asset	9,500	8,000	9,500	8,000
Investment in subsidiaries	-	-	(1,200)	-
Disposal of available-for-sale financial assets	1,346,558	-	1,346,558	-
Acquisition of available-for-sale financial assets	(1,001,850)	-	(1,001,850)	-
Advances to parent company	-	(328,302)	-	(328,302)
Advances to subsidiaries	(22,134)	-	(40,956)	(146,992)
Repayment of advances to parent company	-	184,505	-	184,505
Net cash used in investing activities	(939,381)	(655,377)	(952,401)	(795,773)

RS2 Software p.l.c.

Statements of Cash Flows

For the six months ended 30 June 2012

	The Group		The Company	
	30.06.12 Unaudited €	30.06.11 Unaudited €	30.06.12 Unaudited €	30.06.11 Unaudited €
Cash flows from financing activities				
Dividends paid	-	(1,196,450)	-	(1,196,450)
Advances by related parties	42,313	-	-	-
Proceeds from bank borrowings	580,144	123,333	580,144	123,333
Repayments of bank borrowings	(460,195)	(225,698)	(460,195)	(225,698)
Repayments of finance lease	-	(49,813)	-	-
Net cash used in financing activities	162,262	(1,348,628)	119,949	(1,298,815)
Net decrease in cash and cash equivalents	(936,540)	(1,259,726)	(919,888)	(1,265,729)
Cash and cash equivalents at 1 January	1,646,570	3,627,486	1,628,216	3,580,828
Effect of fair value movement	-	(6,189)	-	(6,189)
Effect of exchange rate fluctuations on cash held	(35,107)	(23,353)	(35,612)	(20,217)
Cash and cash equivalents at 30 June	674,923	2,338,218	672,716	2,288,693

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2012

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 2012 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 2011.

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 2011.

4 Segment reporting

	Licensing		Processing		Total	
	30.06.12	30.06.11	30.06.12	30.06.11	30.06.12	30.06.11
	€	€	€	€	€	€
External revenues	3,572,448	4,737,968	-	-	3,572,448	4,737,968
Reportable segment profit/ (loss) before income tax	610,474	1,650,077	(81,307)	(92,550)	529,167	1,557,527

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

	30.06.12	30.06.11
	€	€
Total profit for reportable segments	529,167	1,557,527
Elimination of intersegment transactions	(203)	395
Profit before income tax	528,964	1,557,922

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2012

5 Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired assets with a cost of €1,323,392 (six months ended 30 June 2011: €531,580), and disposed of assets with a cost of €21,486 (six months ended 30 June 2011: €16,306).

6 Intangible assets

During the six months ended 30 June 2012, the Group capitalised expenditure on the development of computer software amounting to €168,690 (six months ended 30 June 2011: €165,093).

7 Related parties

7.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2011, the Group had the following the transactions with related parties:

	The Group		The Company	
	30.06.12	30.06.11	30.06.12	30.06.11
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Parent company				
Advances to	-	328,302	-	328,302
Assignment of receivables to	-	103,516	-	103,516
Repayments of advances to	-	144,259	-	144,259
Payments for assignment of receivables	-	34,505	-	34,505
Interest charged to	3,801	4,826	3,801	4,826
Payment of interest charged to	-	5,741	-	5,741
Payments on behalf of Company by	-	7,049	-	7,049
Dividend payable to	-	706,800	-	706,800
Dividend paid	-	706,800	-	706,800
Subsidiaries				
Advances to			40,956	142,992
Repayments of advances to			(138,415)	-
Interest charged to			6,928	4,625
Payments on behalf of			-	7,285
Other related entities				
Services provided by	522,228	264,928	493,196	252,834
Payments for services provided by	835,049	546,729	806,018	534,635
Advances by	24,116	730	-	730
Loan repayments by	21,388	-	21,388	-
Interest charged to	9,874	221	9,874	221
Interest charged by	713	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 2012

7 Related parties (continued)

7.2 Related party balances

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.12</u>	<u>31.12.11</u>	<u>30.06.12</u>	<u>31.12.11</u>
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>€</u>	<u>€</u>	<u>€</u>	<u>€</u>
Amounts receivable				
Amounts owed by parent company	961,573	956,561	961,573	956,561
Amounts owed by subsidiary companies	-	-	733,703	846,993
Amounts owed by other related entities	1,047,214	400,996	1,047,051	400,836
Accrued income owed by other related entities	210,000	210,000	210,000	210,000
Amounts payable				
Trade payables due to other related entities	128,203	133,295	67,307	72,639
Accrued expenses due to subsidiary companies	-	-	23,553	-

RS2 Software p.l.c.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2012

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 2012, as well as the financial performance and cash flows for the period ended 30 June 2012; and
- the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Mario Schembri
Chairman



Radi El Haj
Director