

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 23 April 2013, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2012. 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 Wednesday, 12 June 2013.

Shareholders appearing on the shareholders' register as at the close of business on Friday, 13 May 2013 will receive notice of the Annual General Meeting, together with the Annual Report and Financial Statements for the financial year ended 31 December 2012. The preliminary statement of results that is attached herewith was extracted from the financial statements that were audited by KPMG.

The Board strives to achieve a balance between the investments being undertaken for the continued growth and expansion of the Company, namely in its premises and its new subsidiary (RS2 Smart Processing Ltd) offering managed services to banks and retailers, as well as rewarding the shareholders for their loyalty and support in the Company over the years.

In this respect the Board of Directors resolved to recommend for approval at the Annual General Meeting, the payment of a net final dividend of €0.02c5 per share amounting to €1,000,000, which is exempt from tax in the hands of the shareholders. This dividend, if approved at the Annual General Meeting, will be paid on Thursday, 13 June 2013 to shareholders who appear on the shareholders' register as at the close of business on Monday, 13 May 2013.

In addition to the cash dividend, the Board of Directors further resolved to recommend for approval at the Annual General Meeting, a bonus share issue of one (1) share for every sixteen (16) shares held by shareholders on the Company's share register as at close of business on Monday, 13 May 2013. The bonus issue amounting to 2,500,000 shares 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.

Pursuant to the Malta Stock Exchange Bye-Laws, the shareholders' register as at close of business on Monday, 13 May 2013 will include trades undertaken up to and including Wednesday 8 May 2013.

Unquote



Dr Ivan Gatt
Company Secretary

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2012

	The Group		The Company	
	2012	2011	2012	2011
	€	€	€	€
Assets				
Property, plant and equipment	7,305,188	5,178,973	7,282,356	4,983,899
Intangible assets	8,336,856	8,908,374	6,920,114	7,463,711
Deferred tax assets	261,896	1,059,920	261,896	1,059,920
Investments in subsidiaries	-	-	758,942	905,542
Other Investment	218,978	218,978	218,978	218,978
Amounts receivable from related parties	652,630	815,533	652,630	815,533
Total non-current assets	16,775,548	16,181,778	16,094,916	15,447,583
Trade and other receivables	3,342,056	2,803,935	3,339,195	2,787,678
Loans and receivables from related parties	1,333,494	542,024	2,400,103	1,388,857
Prepayments	176,089	128,374	171,467	125,104
Accrued income	4,690,851	2,178,731	6,750,851	2,178,731
Other investments	555,173	1,027,900	555,173	1,027,900
Cash at bank and in hand	916,202	1,666,195	892,219	1,628,216
Total current assets	11,013,865	8,347,159	14,109,008	9,136,486
Total assets	27,789,413	24,528,937	30,203,924	24,584,069

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2012

	The Group		The Company	
	2012	2011	2012	2011
	€	€	€	€
Equity				
Share capital	7,999,991	7,500,000	7,999,991	7,500,000
Reserves	2,408,408	3,767,055	2,382,944	3,722,115
Retained earnings	8,787,039	5,430,753	11,303,693	5,591,127
Total equity attributable to equity holders of the Company	19,195,438	16,697,808	21,686,628	16,813,242
Non-controlling interest	(43,250)	76,878	-	-
Total equity	19,152,188	16,774,686	21,686,628	16,813,242
Liabilities				
Bank borrowings	4,241,047	4,328,002	4,241,047	4,328,002
Derivatives	223,236	151,137	223,236	151,137
Total non-current liabilities	4,464,283	4,479,139	4,464,283	4,479,139
Bank borrowings	919,947	926,875	919,947	926,875
Trade and other payables	1,277,982	1,165,810	1,036,277	976,612
Accruals	591,861	226,683	713,637	432,457
Deferred income	1,383,152	955,744	1,383,152	955,744
Total current liabilities	4,172,942	3,275,112	4,053,013	3,291,688
Total liabilities	8,637,225	7,754,251	8,517,296	7,770,827
Total equity and liabilities	27,789,413	24,528,937	30,203,924	24,584,069

RS2 Software p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2012

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 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	-	-	-	-	-	-	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 to 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
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 year										
Profit	-	-	-	-	-	-	2,476,249	2,476,249	(129,921)	2,346,328
Other comprehensive income										
Foreign currency translation differences	-	-	(3,652)	-	-	-	-	(3,652)	9,793	6,141
Net changes in fair value of available-for-sale financial assets	-	-	-	(6,713)	-	-	-	(6,713)	-	(6,713)
Total other comprehensive income for the year	-	-	(3,652)	(6,713)	-	-	-	(10,365)	9,793	(572)
Total comprehensive income for the year	-	-	(3,652)	(6,713)	-	-	2,476,249	2,465,884	(120,128)	2,345,756
Transactions with owners recorded directly in equity										
Bonus Issue	499,991	(499,991)	-	-	-	-	-	-	-	-
Transfer to retained earnings: Unrealised gains	-	-	-	-	(864,217)	31,750	864,213	31,746	-	31,746
Transfer of translation reserve upon disposal of subsidiary	-	-	(15,824)	-	-	-	15,824	-	-	-
Balance at 31 December 2012	7,999,991	2,292,743	25,464	21,187	8,424	60,590	8,787,039	19,195,438	(43,250)	19,152,188

RS2 Software p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2012

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Statutory 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 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 to 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
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 year							
Profit or loss	-	-	-	-	-	4,848,349	4,848,349
Other comprehensive income							
Net changes in fair value of available-for-sale financial assets	-	-	(6,713)	-	-	-	(6,713)
Total other comprehensive income for the year	-	-	(6,713)	-	-	-	(6,713)
Total comprehensive income for the year	-	-	(6,713)	-	-	4,848,349	4,841,636
Transactions with owners recorded directly in equity							
Bonus Issue	499,991	(499,991)	-	-	-	-	-
Transfer to retained earnings: Unrealised gains	-	-	-	(864,217)	31,750	864,217	31,750
Balance at 31 December 2012	7,999,991	2,292,743	21,187	8,424	60,590	11,303,693	21,686,628

RS2 Software p.l.c.

Statements of Comprehensive Income

For the year ended 31 December 2012

	The Group		The Company	
	2012	2011	2012	2011
	€	€	€	€
Continuing Operations				
Revenue	10,642,419	8,805,776	12,702,419	8,805,776
Cost of sales	(5,765,198)	(4,844,649)	(5,450,051)	(4,897,475)
Gross profit	4,877,221	3,961,127	7,252,368	3,908,301
Other income	88,460	101,605	78,462	94,307
Marketing and promotional expenses	(530,321)	(346,813)	(468,425)	(403,633)
Administrative expenses	(1,440,533)	(1,445,255)	(1,335,444)	(1,190,882)
Capitalised development costs	426,288	361,410	426,288	361,410
Other expenses	(192,528)	(261,909)	(195,202)	(251,133)
Results from operating activities	3,228,587	2,370,165	5,758,047	2,518,370
Finance income	180,107	173,770	150,990	183,731
Finance costs	(258,860)	(166,057)	(257,185)	(162,245)
Net finance (cost) / income	(78,753)	7,713	(106,195)	21,486
Profit before income tax	3,149,834	2,377,878	5,651,852	2,539,856
Income tax expense	(803,506)	(101,666)	(803,503)	(101,545)
Profit for the year	2,346,328	2,276,212	4,848,349	2,438,311
Other comprehensive income				
Foreign currency translation differences on foreign operations	6,141	8,767	-	-
Net changes in fair value of available-for-sale financial assets	(6,713)	(47,410)	(6,713)	(47,410)
Total comprehensive income	2,345,756	2,237,569	4,841,636	2,390,901
Profit attributable to:				
Owners of the Company	2,476,249	2,412,620	4,848,349	2,438,311
Non-controlling interest	(129,921)	(136,408)	-	-
Profit for the year	2,346,328	2,276,212	4,848,349	2,438,311
Total comprehensive income attributable to:				
Owners of the Company	2,465,884	2,385,085	4,841,636	2,390,901
Non-controlling interest	(120,128)	(147,516)	-	-
Total comprehensive income for the year	2,345,756	2,237,569	4,841,636	2,390,901
Earnings per share	€ 0.062	€ 0.060	€ 0.121	€ 0.061

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2012

	The Group		The Company	
	2012	2011	2012	2011
	€	€	€	€
Cash flows from operating activities				
Profit for the year	2,346,328	2,276,212	4,848,349	2,438,311
Adjustments for:				
Depreciation	290,060	129,076	270,497	77,025
Amortisation of intangible assets	969,885	767,332	969,885	767,332
Capitalised development costs	(426,288)	(361,410)	(426,288)	(361,410)
Provision for impairment				
loss on receivables	150,868	261,909	150,868	251,133
Interest payable	146,844	149,028	145,211	134,688
Interest receivable	(64,240)	(79,869)	(80,538)	(79,074)
Unwinding of discount on				
accrued income	-	(9,635)	-	(9,635)
Unwinding of discount on				
accrued expenses	-	2,409	-	2,409
Gain on disposal of assets	(118,205)	(8,000)	(72,780)	(8,000)
Income tax	803,506	101,666	803,503	101,545
Provision for exchange fluctuations	80,412	(121,261)	83,086	(117,641)
Fair value of share option	31,750	28,840	31,750	28,840
Changes in fair value of cash flow hedge	72,099	151,137	72,099	151,137
	4,283,019	3,287,434	6,795,642	3,376,660
Change in trade and other receivables	(3,510,252)	(257,400)	(5,572,910)	(206,263)
Change in trade and other payables	373,799	(1,941,270)	324,002	(1,944,967)
Change in parent company's balance	(1,211)	(435,909)	(1,211)	(435,909)
	1,145,355	652,855	1,545,523	789,521
Cash generated from operating activities	1,145,355	652,855	1,545,523	789,521
Interest paid	(145,211)	(134,688)	(145,211)	(134,688)
Interest received	39,760	44,668	39,748	43,873
Income taxes paid	(5,482)	(20,171)	(5,479)	(20,149)
Net cash from operating activities	1,034,422	542,664	1,434,581	678,557
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,177,354)	(998,367)	(2,142,790)	(989,114)
Proceeds on sale of property plant and equipment	9,500	8,000	9,500	8,000
Investment in subsidiaries	-	-	(1,200)	-
Disposal of available-for-sale financial assets	1,499,895	-	1,499,895	-
Acquisition of intangible asset	-	(3,000,000)	-	(3,000,000)
Acquisition of available-for-sale financial assets	(1,001,850)	-	(1,001,850)	-
Advances to parent company	-	(328,302)	-	(328,302)
Advances to subsidiaries	-	-	(401,498)	(194,449)
Repayment of advances to parent company	-	144,259	-	144,259
Repayment of advances to subsidiaries	-	-	-	9,899
Net cash used in investing activities	(1,669,809)	(4,174,410)	(2,037,943)	(4,349,707)

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2012

	The Group		The Company	
	2012	2011	2012	2011
	€	€	€	€
Cash flows from financing activities				
Dividends paid	-	(1,197,769)	-	(1,197,769)
Proceeds from bank borrowings	843,065	3,418,958	843,065	3,418,958
Repayments of bank borrowings	(936,948)	(497,214)	(936,948)	(497,214)
Repayments of finance lease	-	(75,326)	-	-
Advances by non-controlling interest	35,498	-	-	-
Net cash from/(used) in financing activities	(58,385)	1,648,649	(93,883)	1,723,975
Net decrease in cash and cash equivalents	(693,772)	(1,983,097)	(697,245)	(1,947,175)
Cash and cash equivalents at 1 January	1,658,156	3,619,599	1,620,177	3,572,941
Decrease in cash due to sale of subsidiary	(18,767)	-	-	-
Effect of fair value movements	-	(42,012)	-	(42,012)
Effect of exchange rate fluctuations on cash held	(37,454)	63,818	(38,752)	36,575
Movement in cash pledged as guarantee	(122)	(152)	(122)	(152)
Cash and cash equivalents at 31 December	908,041	1,658,156	884,058	1,620,177

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 Company)

Despite the challenging financial climate, and specifically the challenges in the financial industry, 2012 was once again a very successful year for RS2. Building on the success of the previous years, total revenue for the Company amounts to €12,702,419, representing an increase of 44% over 2011. Approximately 50% of this amount was generated through the sales of licence fees for the use of Bankworks, while the other 50% is split between service fees, maintenance fees and comprehensive packages. The most significant increases were experienced in the licence fees and service fees categories. While licence sales represent mostly sales to new clients, service fees represent a stable mix of sales to new clients and existing clients.

Cost of sales for the year amount to €5,450,051, representing an increase of 11% over the previous year. Cost of sales is mainly made up of salaries of all operational employees, subcontracted costs and amortisation of intangible assets. There have been increases in these expenses during the year, namely in salaries, as the Company continues to invest in our human resources to address the increased demands from our clients. These increases have been partly set off by cost savings in commissions payable which is a direct result of the investment undertaken by the Company during 2011 when it re-acquired the Bankworks rights in Scandinavia.

The substantial increase in revenues, coupled with a less than proportionate increase in cost of sales led to a gross profit of €7,252,368, representing an increase of 86% over the previous year. As has been explained in previous annual reports and announcements, the revenue mix contributes significantly towards our profit margins, and this year the Company has once again benefited from this situation.

During the year, the Company have invested €468,425 and €426,288 in marketing and capitalised development costs respectively. Consistent with previous years and in line with our strategy to continue increasing brand recognition, the Company has once again invested heavily in marketing and promotion. Our communications with prospective customers as well as networking activities held at different fairs in which the Company has participated is clearly showing us that our investment continues to generate the expected interest in our product and services from the various market players. Similarly the Company continues to dedicate significant resources and investment towards the enhancement of Bankworks through new modules and functionalities, ensuring that our product remains at the forefront of technological advancements and ahead of new industry requirements.

Review of Performance (the Company)... (continued)

Profit before income tax for the Company for the year ended 31 December 2012 amounts to €5,651,852, an increase of 123% when compared with the profit before tax for the year ended 31 December 2011 of €2,539,856. Income tax for the year amounting to €803,503 which mainly comprises of movement in deferred tax asset does not represent cash payments as the Company continues to enjoy Investment Tax Credits under the Malta Enterprise Act. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased from €3,362,727 in 2011 to €6,998,429 in 2012.

Review of Performance (the Group)

On a consolidated basis an amount of €2,060,000 representing sales to a subsidiary, is being eliminated for the presentation of revenue for the Group. Revenue for the Group amounts to €10,642,419, up by 21% from €8,805,776 reported in 2011. Gross profit for the Group amounts to €4,877,221, representing an increase of 23% over 2011, while profit before taxation for the Group amounts to €3,149,834 representing an increase of 32% over 2011. RS2 Smart Processing has, after year end, concluded a significant agreement for managed services for a major payment processor in Europe, the revenue from which will flow to the Group as from 2013.

Results from operating activities for the Group amount to €3,228,587 representing a return of 17% on shareholder funds, up from 14% last year. EBITDA for the group stood at €4,488,532. Net assets per share and earnings per share stood at €0.48 (2011: €0.42) and €0.062 (2011 €0.060) respectively.

Cash generation from operating activities for the Group has improved significantly during the year and this has been instrumental in the continuing investment in the premises as well as the Managed Services division. Investment in the managed services is expected to continue at a steady pace throughout 2013.

2012 has been a year in which the Group executed its strategic vision in regards to the diversifying of its solutions and service offering. The Group has delivered on its commitments made in the previous months and years and will continue to do so by empowering its executive team and employees to continue developing and implementing its plans for a bright future.