

**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 August 2013, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2013. 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
13 August 2013**



Condensed Interim Financial Statements

**For the six months ended
30 June 2013**

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the six months ended 30 June 2013

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RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2013

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 2013 and its comparative period in 2012. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2012. 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 2013 the Company continued to consolidate on the efforts and investment undertaken and registered total revenue of €9,468,911. As the Company has previously announced, in the first six months of the year, it has entered into a licence agreement with one of the leading banks in Europe. Although the terms of the license agreement stipulate that the Licensee has the right to terminate the agreement for convenience, the directors believe that the probability of the agreement being terminated is remote and highly improbable and that the economic benefits associated with the transaction will flow to the Company. In this respect, the Company has recognised an amount of approximately €5.5m relating to this agreement in its interim financial statements ending 30 June 2013.

Gross profit for the period stands at 68% of revenue. Cost of sales have increased by 23%, due to the fact that the Company continued to increase its work force due to foreseeable growth in the workflow with the addition of tier one banks to the Company's client portfolio. Administrative expenses have also seen an increase of 35% due to additional costs such as legal, advisory, depreciation and other expenses linked to the new premises.

The investment carried out on both its premises and BANKWORKS by the Company continues to generate investment tax credits. In the first half of 2013 the Company will be utilising the full amount of investment tax credit accumulated during the past years, giving rise for a potential tax liability for the year ended 31 December 2013. During the first six months, the Company is reporting a net income tax expense of €1,784,283. Net profit after tax for the first six months of the year amounts to €3,880,867.

Net profit after tax for the Group amounts to €3,659,567. RS2 Smart Processing Ltd has begun to generate revenue during the period, largely made possible through the attainment of certification from the Payment Card Industry (PCI) Council. With this certification in hand, and with the infrastructure it invested in, RS2 Smart Processing is well positioned to continue to generate further business.

The Group is currently in negotiations for the sale of more licences and processing services in Europe,

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2013

Review of performance and business developments (continued)

Earnings per share showed a significant improvement at €0.08c8 per share, when compared to €0.02c8 for the same period in 2012. The Board expects that the performance for the second half of the year will continue positively, and that 2013 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 2012, 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 13 August 2013 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 2013

	The Group		The Company	
	30.06.13 Unaudited	31.12.12 Audited	30.06.13 Unaudited	31.12.12 Audited
	€	€	€	€
Assets				
Property, plant and equipment	7,432,110	7,305,188	7,364,704	7,282,356
Intangible assets	7,995,780	8,336,856	6,566,690	6,920,114
Deferred tax assets	-	261,896	-	261,896
Investment in subsidiaries	-	-	758,942	758,942
Other investment	218,978	218,978	218,978	218,978
Loans receivable from other related parties	662,313	652,630	662,313	652,630
Total non-current assets	16,309,181	16,775,548	15,571,627	16,094,916
Trade and other receivables	6,538,696	3,342,056	6,279,487	3,339,195
Loans and receivables from related parties	843,926	1,333,494	2,515,049	2,400,103
Prepayments	107,196	176,089	105,766	171,467
Accrued income	7,214,454	4,690,851	9,343,704	6,750,851
Other investments	-	555,173	-	555,173
Cash at bank and in hand	730,691	916,202	699,965	892,219
Total current assets	15,434,963	11,013,865	18,943,971	14,109,008
Total assets	31,744,144	27,789,413	34,515,598	30,203,924

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2013

	The Group		The Company	
	30.06.13 Unaudited	31.12.12 Audited	30.06.13 Unaudited	31.12.12 Audited
	€	€	€	€
Equity				
Share capital	8,499,991	7,999,991	8,499,991	7,999,991
Reserves	1,876,169	2,408,408	1,845,237	2,382,944
Retained earnings	11,530,444	8,787,039	14,257,061	11,303,693
Total equity attributable to equity holders of the Company	21,906,604	19,195,438	24,602,289	21,686,628
Non-controlling interest	(111,219)	(43,250)	-	-
Total equity	21,795,385	19,152,188	24,602,289	21,686,628
Liabilities				
Bank borrowings	3,731,514	4,241,047	3,731,514	4,241,047
Deferred tax liability	1,326,437	-	1,425,105	-
Derivatives	175,230	223,236	175,230	223,236
Total non-current liabilities	5,233,181	4,464,283	5,331,849	4,464,283
Bank borrowings	940,621	919,947	940,621	919,947
Trade and other payables	1,223,988	1,277,982	998,407	1,036,277
Accruals	510,800	591,861	602,263	713,637
Deferred income	2,040,169	1,383,152	2,040,169	1,383,152
Total current liabilities	4,715,578	4,172,942	4,581,460	4,053,013
Total liabilities	9,948,759	8,637,225	9,913,309	8,517,296
Total equity and liabilities	31,744,144	27,789,413	34,515,598	30,203,924

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2013

THE GROUP

	Attributable to equity holders of the Company									Total equity €
	Share capital €	Share premium €	Translation reserve €	Fair value reserve €	Statutory reserve €	Share Option reserve	Retained earnings €	Total €	Non-controlling interest €	
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 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)	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	-	-	-
Transfer from retained earnings:										
Unrealised gains	-	-	-	-	443,738	15,726	(443,738)	15,726	-	15,726
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
Balance at 1 January 2013	7,999,991	2,292,743	25,464	21,187	8,424	60,590	8,787,043	19,195,442	(43,252)	19,152,190
Comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	3,726,881	3,726,881	(67,314)	3,659,567
Other comprehensive income										
Foreign currency translation differences	-	-	5,468	-	-	-	-	5,468	(653)	4,815
Net change in fair value of available-for-sale financial assets	-	-	-	(21,187)	-	-	-	(21,187)	-	(21,187)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	5,468	(21,187)	-	-	-	(15,719)	(653)	(16,372)
Total comprehensive income for the period	-	-	5,468	(21,187)	-	-	3,726,881	3,711,162	(67,967)	3,643,195
Transactions with owners recorded directly in equity										
Bonus Issue	500,000	(500,000)	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Transfer from retained earnings:										
Unrealised gains	-	-	-	-	(16,520)	-	16,520	-	-	-
Transfer of translation reserve upon disposal of subsidiary	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	8,499,991	1,792,743	30,932	-	(8,096)	60,590	11,530,444	21,906,604	(111,219)	21,795,385

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2013

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Statutory reserve €	Hedging Reserve €	Share Option reserve €	Retained earnings €	Total €
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 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)	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	-
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
Balance at 1 January 2013	7,999,991	2,292,743	21,187	8,424	-	60,590	11,303,694	21,686,629
Comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	3,936,847	3,936,847
Other comprehensive income								
Total other comprehensive income for the period	-	-	(21,187)	-	-	-	-	(21,187)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	(21,187)	-	-	-	-	(21,187)
Total comprehensive income for the period	-	-	(21,187)	-	-	-	3,936,847	3,915,660
Transactions with owners recorded directly in equity								
Bonus Issue	500,000	(500,000)	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Transfer from retained earnings: Unrealised gains	-	-	-	(16,520)	-	-	16,520	-
Balance at 30 June 2013	8,499,991	1,792,743	-	(8,096)	-	60,590	14,257,061	24,602,289

RS2 Software p.l.c.

Statements of Comprehensive Income

For the six months ended 30 June 2013

	The Group		The Company	
	30.06.13 Unaudited	30.06.12 Unaudited	30.06.13 Unaudited	30.06.12 Unaudited
	€	€	€	€
Continuing Operations				
Revenue	9,739,609	3,572,448	9,468,911	3,572,448
Cost of sales	(3,472,227)	(2,486,394)	(3,017,783)	(2,449,226)
Gross profit	6,267,382	1,086,054	6,451,128	1,123,222
Other income	19,719	111,388	19,823	98,717
Marketing and promotional expenses	(301,127)	(258,829)	(222,384)	(255,584)
Administrative expenses	(779,416)	(573,529)	(681,737)	(506,790)
Capitalised development costs	140,470	168,690	140,470	168,690
Other expenses	-	(991)	-	(992)
Results from operating activities	5,347,028	532,783	5,707,300	627,263
Finance income	113,618	114,228	124,384	72,416
Finance costs	(115,464)	(118,047)	(110,554)	(113,813)
Net finance income	(1,846)	(3,819)	13,830	(41,397)
Profit before income tax	5,345,182	528,964	5,721,130	585,866
Income tax (expense)/credit	(1,685,615)	601,593	(1,784,283)	601,596
Profit for the period	3,659,567	1,130,557	3,936,847	1,187,462
Other comprehensive income				
Foreign currency translation differences on foreign operations	4,815	34,918	-	-
Net change in fair value of available-for-sale financial assets	(21,187)	(27,115)	(21,187)	(27,115)
Total comprehensive income	3,643,195	1,138,360	3,915,660	1,160,347
Profit attributable to:				
Owners of the Company	3,726,881	1,195,476	3,936,847	1,187,462
Non-controlling interest	(67,314)	(64,919)	-	-
Profit for the period	3,659,567	1,130,557	3,936,847	1,187,462
Total comprehensive income attributable to:				
Owners of the Company	3,711,162	1,194,757	3,915,660	1,160,347
Non-controlling interest	(67,967)	(56,397)	-	-
Total comprehensive income for the period	3,643,195	1,138,360	3,915,660	1,160,347
Earnings per share	€ 0.088	€ 0.028	€ 0.093	€ 0.028

RS2 Software p.l.c.

Statements of Cash Flows

For the six months ended 30 June 2013

	The Group		The Company	
	30.06.13	30.06.12	30.06.13	30.06.12
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from operating activities				
Profit for the period	3,659,567	1,130,557	3,936,847	1,187,462
Adjustments for:				
Depreciation	224,095	54,557	142,752	43,090
Amortisation of intangible assets	493,893	480,021	493,893	480,021
Capitalised development costs	(140,470)	(168,690)	(140,470)	(168,690)
Reversal of provision for impairment loss on receivables	-	992	-	992
Interest payable	126,160	69,030	110,488	61,424
Interest receivable	(35,312)	(41,618)	(35,312)	(41,605)
Income tax	1,685,615	(601,594)	1,784,283	(601,596)
Provision for exchange fluctuations	(3,078)	(137)	(3,078)	2,536
Gain on disposal of assets	(39,968)	(83,826)	(39,968)	(38,411)
Fair value of share option	-	15,725	-	15,725
Changes in fair value of cash flow hedges	(48,006)	48,071	(48,006)	48,071
	5,922,496	903,088	6,201,429	989,019
Change in trade and other receivables	(5,891,092)	(607,552)	(5,566,984)	(619,618)
Change in trade and other payables	491,373	(350,454)	407,706	(352,324)
	522,777	(54,918)	1,042,150	17,077
Cash generated from operating activities				
Interest paid	(110,488)	(127,004)	(110,488)	(127,004)
Interest received	28,070	23,705	28,070	23,693
Income taxes paid	697	(1,204)	697	(1,202)
Net cash from operating activities	441,056	(159,421)	960,429	(87,436)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(281,001)	(1,271,455)	(225,100)	(1,264,453)
Proceeds from sale of asset	-	9,500	-	9,500
Investment in subsidiaries	-	-	-	(1,200)
Disposal of available-for-sale financial assets	573,953	1,346,558	573,953	1,346,558
Acquisition of available-for-sale financial assets	-	(1,001,850)	-	(1,001,850)
Advances to parent company	(6,544)	-	(6,544)	-
Advances to subsidiaries	-	(22,134)	(581,396)	(40,956)
Repayment of advances to parent company	571,608	-	571,608	-
Net cash used in investing activities	858,016	(939,381)	332,521	(952,401)

RS2 Software p.l.c.

Statements of Cash Flows

For the six months ended 30 June 2013

	The Group		The Company	
	30.06.13 Unaudited	30.06.12 Unaudited	30.06.13 Unaudited	30.06.12 Unaudited
	€	€	€	€
Cash flows from financing activities				
Dividends paid	(997,440)	-	(997,440)	-
Advances by related parties	-	42,313	-	-
Proceeds from bank borrowings	-	580,144	-	580,144
Repayments of bank borrowings	(488,860)	(460,195)	(488,860)	(460,195)
Repayments of finance lease	-	-	-	-
Net cash used in financing activities	(1,486,300)	162,262	(1,486,300)	119,949
Net decrease in cash and cash equivalents	(187,228)	(936,540)	(193,350)	(919,888)
Cash and cash equivalents at 1 January	915,911	1,646,570	892,218	1,628,216
Effect of exchange rate fluctuations on cash held	2,008	(35,107)	1,097	(35,612)
Cash and cash equivalents at 30 June	730,691	674,923	699,965	672,716

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2013

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 2013 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 2012.

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 2012.

4 Segment reporting

	Licensing		Processing		Total	
	30.06.13	30.06.12	30.06.13	30.06.12	30.06.13	30.06.12
	€	€	€	€	€	€
External revenues	9,467,898	3,572,448	381,911	-	9,849,809	3,572,448
Reportable segment profit/ (loss) before income tax	5,681,131	610,474	(405,949)	(81,307)	5,275,182	529,167

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

	30.06.13	30.06.12
	€	€
Total profit for reportable segments	5,275,182	529,167
Elimination of intersegment transactions	70,000	(203)
Profit before income tax	5,345,182	528,964

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2013

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

	30.06.13	30.06.12
	€	€
External Revenues	9,849,809	-
Total Revenue for reportable segments	<u>(110,200)</u>	-
Elimination of intersegment transactions	<u>9,739,609</u>	-

5 Property, plant and equipment

During the six months ended 30 June 2013, the Group acquired assets with a cost of €316,301 (six months ended 30 June 2012: €1,323,392), and disposed of assets with a cost of €NIL (six months ended 30 June 2012: €21,486).

6 Intangible assets

During the six months ended 30 June 2013, the Group capitalised expenditure on the development of computer software amounting to €140,470 (six months ended 30 June 2012: €168,690).

7 Related parties

7.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2012, the Group had

	<u>The Group</u>		<u>The Company</u>	
	30.06.13	30.06.12	30.06.13	30.06.12
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Parent company				
Advances to	6,544	-	6,544	-
Assignment of receivables to	-	-	-	-
Repayments of advances to	285,868	-	285,868	-
Payments for assignment of receivables	195,741	-	195,741	-
Interest charged to	3,855	3,801	3,855	3,801
Payment of interest charged to	17,391	-	17,391	-
Payments on behalf of Company by	-	-	-	-
Dividend payable to	589,000	-	589,000	-
Dividend paid	<u>589,000</u>	-	<u>589,000</u>	-
Subsidiaries				
Advances to			581,396	40,956
Repayments of advances to			-	138,415
Interest charged to			14,784	6,928
Payments on behalf of			-	-
Other related entities				
Services provided by	724,679	522,228	724,679	493,196
Payments for services provided by	717,712	835,049	717,712	806,018
Advances by	-	24,116	-	-
Loan repayments by	-	21,388	-	21,388
Interest charged to	9,683	9,874	9,683	9,874
Interest charged by	<u>888</u>	<u>713</u>	-	-

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2013

7 Related parties (continued)

7.1 Related party transactions (continued)

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

7.2 Related party balances

	The Group		The Company	
	30.06.13 Unaudited €	31.12.12 Audited €	30.06.13 Unaudited €	31.12.12 Audited €
Amounts receivable				
Amounts owed by parent company	476,796	965,396	476,796	965,396
Amounts owed by subsidiary companies	-	-	1,670,154	1,066,609
Amounts owed by other related entities	1,030,411	1,020,727	1,030,411	1,020,727
Accrued income owed by other related entities	120,000	210,000	120,000	210,000
Amounts payable				
Trade payables due to other related entities	130,189	103,754	32,727	6,293
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 2013

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 2013, as well as the financial performance and cash flows for the period ended 30 June 2013; 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