

RS2 Software p.l.c.

COMPANY ANNOUNCEMENT

The following is a company announcement issued by RS2 Software p.l.c. ("the Company") pursuant to the Malta Financial Services Listing Authority Rules .

Quote

At the meeting held on 21 April 2015, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2014. 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, 9 June 2015.

Shareholders appearing on the shareholders' register as at the close of business on Friday, 8 May 2015 will receive notice of the Annual General Meeting, together with the Annual Report and Financial Statements for the financial year ended 31 December 2014. The preliminary statement of results that is attached herewith was extracted from the financial statements that were audited by KPMG.

The Board of Directors resolved to recommend for approval at the Annual General Meeting, the payment of a final dividend of €0.04c4 per share amounting to €2,000,000. This dividend, if approved at the Annual General Meeting, will be paid on Monday, 15 June 2015 to shareholders who appear on the shareholders' register as at the close of business on Friday, 8 May 2015.

Pursuant to the Malta Stock Exchange Bye-Laws, the shareholders' register as at close of business on Friday, 8 May 2015 will include trades undertaken up to and including Wednesday, 6 May 2015.

Unquote



Dr. Ivan Gatt
Company Secretary

21 April 2015

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2014

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Assets				
Property, plant and equipment	8,081,423	7,735,414	7,816,089	7,357,640
Intangible assets	6,961,733	7,657,368	5,669,953	6,301,955
Investments in subsidiaries	-	-	1,148,774	758,942
Other investment	131,785	218,978	131,785	218,978
Amount receivable from related parties	32,087	422,129	3,204,963	1,565,268
Accrued income	1,440,750	2,968,688	3,527,483	5,168,688
Trade receivables	764,731	647,220	764,731	647,220
Total non-current assets	17,412,509	19,649,797	22,263,778	22,018,691
Trade and other receivables	4,167,186	2,806,491	4,100,640	2,617,669
Loans and receivables from related parties	868,045	941,701	868,045	2,458,276
Prepayments	347,782	283,533	297,453	238,576
Accrued income	4,844,414	2,985,070	5,193,985	2,944,097
Cash at bank and in hand	4,520,446	3,643,250	3,731,903	3,264,175
Total current assets	14,747,873	10,660,045	14,192,026	11,522,793
Total assets	32,160,382	30,309,842	36,455,804	33,541,484

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Statements of Financial Position

As at 31 December 2014

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Equity				
Share capital	8,999,991	8,499,991	8,999,991	8,499,991
Reserves	1,572,030	2,227,075	1,512,786	2,227,438
Retained earnings	12,357,823	10,757,376	16,287,701	13,743,043
Total equity attributable to equity holders of the Company	22,929,844	21,484,442	26,800,478	24,470,472
Non-controlling interest	10,940	(112,281)	-	-
Total equity	22,940,784	21,372,161	26,800,478	24,470,472
Liabilities				
Bank borrowings	2,710,067	3,154,238	2,710,067	3,154,238
Deferred tax liability	1,134,666	1,089,455	1,694,234	1,358,499
Derivatives	159,749	149,263	159,749	149,263
Total non-current liabilities	4,004,482	4,392,956	4,564,050	4,662,000
Bank borrowings	725,846	1,022,180	725,846	1,022,180
Trade and other payables	1,160,738	945,664	1,073,272	821,180
Current tax payable	1,355,350	-	1,355,350	-
Accruals	547,332	762,572	536,010	757,239
Deferred income	1,425,850	1,814,309	1,400,798	1,808,413
Total current liabilities	5,215,116	4,544,725	5,091,276	4,409,012
Total liabilities	9,219,598	8,937,681	9,655,326	9,071,012
Total equity and liabilities	32,160,382	30,309,842	36,455,804	33,541,484

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Statements of Changes in Equity

For the year ended 31 December 2014

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 2013	7,999,991	2,292,743	25,464	21,187	8,424	60,586	8,787,043	19,195,438	(43,250)	19,152,188
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	2,928,593	2,928,593	(73,701)	2,854,892
Other comprehensive income										
Foreign currency translation differences	-	-	(25,827)	-	-	-	-	(25,827)	4,670	(21,157)
Net change in fair value of available-for-sale financial assets	-	-	-	(21,187)	-	-	-	(21,187)	-	(21,187)
Total other comprehensive income for the year	-	-	(25,827)	(21,187)	-	-	-	(47,014)	4,670	(42,344)
Total comprehensive income for the year	-	-	(25,827)	(21,187)	-	-	2,928,593	2,881,579	(69,031)	2,812,548
Transactions with owners of the Company										
Bonus issue	500,000	(500,000)	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Transfer to retained earnings:										
Unrealised gains	-	-	-	-	(8,424)	-	8,424	-	-	-
Share options exercised	-	-	-	-	-	(33,316)	33,316	-	-	-
Equity settled share-based payments	-	-	-	-	-	407,425	-	407,425	-	407,425
Balance at 31 December 2013	8,499,991	1,792,743	(363)	-	-	434,695	10,757,376	21,484,442	(112,281)	21,372,161
Balance at 1 January 2014	8,499,991	1,792,743	(363)	-	-	434,695	10,757,376	21,484,442	(112,281)	21,372,161
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	2,875,403	2,875,403	(98,163)	2,777,240
Other comprehensive income										
Foreign currency translation differences	-	-	59,607	-	-	-	-	59,607	(15,757)	43,850
Total other comprehensive income for the year	-	-	59,607	-	-	-	-	59,607	(15,757)	43,850
Total comprehensive income for the year	-	-	59,607	-	-	-	2,875,403	2,935,010	(113,920)	2,821,090
Transfer of non-controlling interest at date of investment in subsidiary	-	-	-	-	-	-	(490,009)	(490,009)	237,141	(252,868)
Transactions with owners of the Company										
Bonus issue	500,000	(500,000)	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	(999,599)	(999,599)	-	(999,599)
Share options exercised	-	-	-	-	-	(214,652)	214,652	-	-	-
Balance at 31 December 2014	8,999,991	1,292,743	59,244	-	-	220,043	12,357,823	22,929,844	10,940	22,940,784

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Statements of Changes in Equity

For the year ended 31 December 2014

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Statutory reserve €	Share option reserve €	Retained earnings €	Total €
Balance at 1 January 2013	7,999,991	2,292,743	21,187	8,424	60,586	11,303,693	21,686,624
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	3,397,610	3,397,610
Other comprehensive income							
Net changes in fair value of available-for-sale financial assets	-	-	(21,187)	-	-	-	(21,187)
Total other comprehensive income for the year	-	-	(21,187)	-	-	-	(21,187)
Total comprehensive income for the year	-	-	(21,187)	-	-	3,397,610	3,376,423
Transactions with owners of the Company							
Bonus issue	500,000	(500,000)	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	(1,000,000)	(1,000,000)
Transfer to retained earnings:							
Unrealised gains	-	-	-	(8,424)	-	8,424	-
Share options exercised	-	-	-	-	(33,316)	33,316	-
Equity settled share-based payments	-	-	-	-	407,425	-	407,425
Balance at 31 December 2013	8,499,991	1,792,743	-	-	434,695	13,743,043	24,470,472
Balance at 1 January 2014	8,499,991	1,792,743	-	-	434,695	13,743,043	24,470,472
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	3,329,605	3,329,605
Total comprehensive income for the year	-	-	-	-	-	3,329,605	3,329,605
Transactions with owners of the Company							
Bonus issue	500,000	(500,000)	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	(999,599)	(999,599)
Share options exercised	-	-	-	-	(214,652)	214,652	-
Balance at 31 December 2014	8,999,991	1,292,743	-	-	220,043	16,287,701	26,800,478

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Statements of Comprehensive Income For the year ended 31 December 2014

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Continuing Operations				
Revenue	15,240,925	14,130,264	14,461,120	13,484,895
Cost of sales	(8,394,080)	(7,384,566)	(7,326,744)	(6,424,021)
Gross profit	6,846,845	6,745,698	7,134,376	7,060,874
Other income	730,093	14,341	730,093	14,341
Marketing and promotional expenses	(328,617)	(488,636)	(285,294)	(331,261)
Administrative expenses	(2,038,147)	(2,214,698)	(1,723,476)	(1,909,285)
Capitalised development costs	388,829	377,807	388,829	377,807
Other expenses	(986,388)	(102,298)	(731,546)	(109,539)
Results from operating activities	4,612,615	4,332,214	5,512,982	5,102,937
Finance income	90,569	156,582	146,210	195,233
Finance costs	(512,747)	(233,173)	(626,012)	(230,828)
Net finance costs	(422,178)	(76,591)	(479,802)	(35,595)
Profit before income tax	4,190,437	4,255,623	5,033,180	5,067,342
Income tax expense	(1,413,197)	(1,400,731)	(1,703,575)	(1,669,732)
Profit for the year	2,777,240	2,854,892	3,329,605	3,397,610
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences on foreign operations	43,850	(21,157)	-	-
Net changes in fair value of available-for-sale financial assets	-	(21,187)	-	(21,187)
Total comprehensive income	2,821,090	2,812,548	3,329,605	3,376,423
Profit attributable to:				
Owners of the Company	2,875,403	2,928,593	3,329,605	3,397,610
Non-controlling interest	(98,163)	(73,701)	-	-
Profit for the year	2,777,240	2,854,892	3,329,605	3,397,610
Total comprehensive income attributable to:				
Owners of the Company	2,935,010	2,881,579	3,329,605	3,376,423
Non-controlling interest	(113,920)	(69,031)	-	-
Total comprehensive income for the year	2,821,090	2,812,548	3,329,605	3,376,423
Earnings per share	€ 0.064	€ 0.065	€ 0.074	€ 0.076

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2014

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Cash flows from operating activities				
Profit for the year	2,777,240	2,854,892	3,329,605	3,397,610
Adjustments for:				
Depreciation	496,055	425,279	362,817	295,459
Amortisation of intangible assets	1,020,831	995,965	1,020,831	995,965
Capitalised development costs	(388,829)	(377,807)	(388,829)	(377,807)
Provision for impairment loss on receivables	643,102	(11,819)	643,102	(11,819)
Impairment of obsolete assets	226,495	-	-	-
Interest payable	169,932	232,958	169,306	230,615
Interest receivable	(14,878)	(34,377)	(71,490)	(73,317)
Discounting of accrued income	331,941	-	445,208	-
Gain on disposal of financial asset	-	(39,968)	-	(39,968)
Impairment on available-for-sale financial asset	87,193	-	87,193	-
Income tax	1,413,197	1,400,731	1,703,575	1,669,732
Provision for exchange fluctuations	(698,405)	74,170	(698,405)	74,171
Fair value of share option	-	407,425	-	407,425
Change in fair value of cash flow hedge	10,486	(73,973)	10,486	(73,973)
	6,074,360	5,853,476	6,613,399	6,494,093
Changes in trade and other receivables	(2,417,054)	(1,576,072)	(2,590,507)	(1,582,316)
Changes in trade and other payables	(281,375)	150,073	(590,644)	158,519
Changes in parent company's balance	95,679	(11,145)	95,679	(11,145)
Cash generated from operating activities	3,471,610	4,416,332	3,527,927	5,059,151
Interest paid	(171,832)	(212,401)	(171,832)	(212,401)
Interest received	16,544	70,775	26,500	93,728
Income taxes paid	(12,481)	(15,934)	(12,481)	(15,934)
Net cash from operating activities	3,303,841	4,258,772	3,370,114	4,924,544
Cash flows from investing activities				
Acquisition of property, plant and equipment	(620,660)	(812,250)	(599,898)	(327,463)
Investment in subsidiary	(389,832)	-	(389,832)	-
Disposal of available-for-sale financial assets	-	573,953	-	573,953
Advances to subsidiaries	-	-	(631,046)	(1,498,172)
Repayment of advances to subsidiaries	-	-	140,190	18,236
Repayment of advances to other related parties	262,357	65,935	262,357	65,935
Net cash used in investing activities	(748,135)	(172,362)	(1,218,229)	(1,167,511)

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2014

	The Group		The Company	
	2014	2013	2014	2013
	€	€	€	€
Cash flows from financing activities				
Dividends paid	(997,510)	(408,479)	(997,510)	(408,479)
Proceeds from bank borrowings	35,505	-	35,505	-
Repayments of bank borrowings	(776,010)	(984,576)	(776,010)	(984,576)
Advances by non-controlling interest	6,317	25,839	-	-
Net cash used in financing activities	(1,731,698)	(1,367,216)	(1,738,015)	(1,393,055)
Net increase in cash and cash equivalents	824,008	2,719,194	413,870	2,363,978
Cash and cash equivalents at 1 January	3,634,966	908,041	3,255,891	884,058
Effect of fair value movements	(670)	-	-	-
Effect of exchange rate fluctuations on cash held	53,857	7,852	53,857	7,976
Movement in cash pledged as guarantee	(124)	(121)	(124)	(121)
Cash and cash equivalents at 31 December	4,512,037	3,634,966	3,723,494	3,255,891

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 (Chapter386, 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

Once again 2014 sees an increase in revenue when compared to the previous year. Total revenue for the Group amounts to €15.2m, an increase of just under 8% over 2013. Consistent with prior years the revenue is composed of licence fees for the use of BankWORKS®, maintenance fees, service fees and processing fees.

In comparison with 2013, licence fees have decreased by 46%. This decrease is mainly attributable to the nature of the licence agreements entered into with our clients. During 2014 we managed to secure our largest contract to date, with a total value of €16.5m, of which licence fees amount to €12m and service fees amount to €4.5m. Due to the nature of this agreement, being a term licence, the Group did not recognise the full licence fee during the year, with the remaining licence fee to be recognised over the coming years.

It is important to highlight that the recognition of licence fees which is dependent on the nature of the agreement as well as IFRS requirements may lead to variations in revenue and therefore in profit and profit margins.

The decrease in licence fees is more than made up for by an increase of 84% in service fees, across the group. In 2014 we also registered an increase of 26% in processing fees generated by our subsidiary RS2 Smart Processing. During the year, the subsidiary continued to attract new clients and prospects, with two new clients obtained during the year. Revenues from these new clients will start to be earned over 2015. The pipeline is very healthy and we are currently in the process of negotiating further contracts.

Gross profit of the Group for the year stands at 45%, a reduction of 3% when compared to 2013. This is attributable to an increase on cost of sales mostly comprised of increases in salaries as we continue to boost our staff complement to meet the existing and anticipated demand of our clients. The Group’s administrative expenses show an overall decrease of 8% when compared to 2013. There have been generic increases in administrative expenses commensurate with the increases in our operations, however these have been offset by a decrease in the notional cost of share options granted to our employees accounted for in 2013 and which was not repeated in 2014.

Other income is mainly composed of realised and unrealised exchange gains on balances receivable and payable, while other expenses is mostly composed of provisions for impairment of balances receivable and of obsolete assets.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of the Group for 2014 amounts to €6.1m, which represents an increase of 7% over 2013.

Review of Performance (continued)

In 2014, the Group had an income tax expense of €1.4m, which is made up of €1.3m in current tax charge and €0.1m in deferred tax charge, the latter being a non-cash item. 2014 is the first year in which the Group will be paying income tax in cash since it has made full use of the investment tax credits brought forward from prior years. New investment tax credit on investment carried out during the year was accumulated, however this was also fully used up by the income tax payable, leaving a tax balance of €1.4m payable in cash. The amount of income tax that would have been payable in the absence of such investment tax credit, would have been €1.9m. Nevertheless, we highlight that there is still a significant balance of profits that have been relieved from tax by way of investment tax credit in the past and which remain tax free in the hands of the shareholders when distributed as dividends.

We have continued to strengthen our balance sheet with a total equity attributable to our shareholders of €23m, an increase of €1.4m over 2013. Cash generated from operations remains very strong with a cash balance of €4.5m at the end of the year.