

**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 11 August 2016, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2016. 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
11 August 2016**



Interim Financial Statements

**For the six months ended
30 June 2016**

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the six months ended 30 June 2016

Contents

	Page
Directors' Report pursuant to Listing Rule 5.75.2	1
Consolidated Interim Financial Statements:	
Condensed Statements of Financial Position	4
Condensed Statements of Changes in Equity	6
Condensed Statements of Comprehensive Income	8
Condensed Statements of Cash Flows	9
Notes to the Condensed Interim Financial Statements	11
Statement pursuant to Listing Rule 5.75.3	14

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2016

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 2016 and its comparative period in 2015. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2015. 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

In the first half of 2016 RS2 has continued to develop its business, build geographic presence and secure agreements with new customers. The business continues to be on a strong growth trajectory with a good pipeline of opportunities across markets and business lines. We have continued to invest in the capabilities required for expansion, and have absorbed the short-term impact of unexpected currency fluctuations. Our performance in H1 is in line with our expectations, is on track for the full year and reflects our investment in new commitments and the timing of securing these agreements.

The Group generated total revenues of €11.2 for the first half of 2016 demonstrating a stable performance in comparison with the €11.5m reported for the first half of 2015.

During the first six months of the year, the Group has been successful in concluding new agreements both for the licensing and the processing business. RS2 Software concluded a licence agreement with a new customer, a payment processing company in Germany. Its subsidiary RS2 Smart Processing has engaged two new clients for its managed services business; a Payment Service Provider (PSP) in Germany, and one of the largest acquirers in Europe. Particularly with regards to the managed services clients, revenue from these contracts is expected to be generated over the coming months and years.

During 2016, the Group has continued in its drive to increase its staff compliment to meet client demands. It has also established a new subsidiary in Manila, Philippines that will provide development and support services and also serve as a development centre for the headquarters in Malta. As a result, cost of sales has increased by 14% over 2015.

Gross Profit amounts to €5.8m, a decrease of 14% when compared with €6.8m for the first half of 2015. The decrease in Gross Profit is largely attributable to the increase in cost of sales, which is not yet matched by increases in revenue.

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2016

Administrative and marketing expenses increased by 24% and 45% respectively. This follows the trend of increased efforts in marketing activities, which is resulting in a very healthy sales pipeline for the Group. Administrative expenses have increased as the Group continues to strengthen its administrative functions in support of the planned international growth.

Profit before tax for the Group amounts to €3.4m, a reduction of 48% when compared to the same period last year. This reduction is attributable to two main factors, increases across all categories of expenses as the Group gears up for further growth, and the effect of foreign currency fluctuations. Over the past year, the Group has been negatively impacted by exchange fluctuations as reported under other operating expenses, particularly the Pound Sterling. This has been particularly evident in the first half of 2016 and contrasts significantly with the gains reported in the first half of 2015, resulting in a comparative decrease of €1.4m on June 2015 results.

Performance for an accounting period may be influenced by revenue recognition criteria. In accordance with the Group's revenue recognition policy, services, maintenance, comprehensive packages and processing revenue, which are by their nature recurring, are recognised when these are performed. License sales are recognised as revenue when a license contract is concluded, or in stages over the term of the contract depending on the nature and period of the licence granted. Due to such criteria and value of the licence contracts, the performance from one accounting period to another may not be linear.

2016 has so far been characterised by an intensive drive towards international expansion. The Group's subsidiaries and physical presence in the Philippines and the United States provide a strong foothold in the respective markets from where the Group is able to attract the right players, in terms of customers and as well as strategic partners.

Over the past months the Group has made significant headway in the United States. This has been a direct result of the strong network established with reputable market players and individuals as well as the visibility gained through participating in industry events such as the ETA Transact16. The Group has reached an important milestone in the development of its business in the USA by securing sponsorship for its managed services business in the US, which is essential for its operations. The United States market is ripe with opportunities for the Group as BankWORKS offers a high level of flexibility and modularity, which is lacking in legacy systems currently in use today.

The Group is also currently actively pursuing new opportunities with partners in India and Vietnam to offer both licensing and managed services solutions. These markets show significant potential for growth in the payment industry and the Group is well positioned to take advantage of this opportunity.

Sales pipeline across the different regions and across the two business lines is very healthy and conducive to successfully implementing the Group's expansion strategy.

Technology achievements

During Q2, the company has reached another milestone where on testing the company determined to be able to process over 62 million transactions in just over an hour by using the massively scalable technology services. This breaks the company's last year's best benchmark result so far of processing 40 million transactions per hour.

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2016

Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2015, 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 8 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 11 August 2016 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 2016

	The Group		The Company	
	30.06.16 Unaudited	31.12.15 Audited	30.06.16 Unaudited	31.12.15 Audited
	€	€	€	€
Assets				
Property, plant and equipment	9,027,027	9,059,244	8,880,709	8,834,473
Intangible assets	6,793,182	6,901,911	5,380,506	5,461,335
Investment in subsidiaries	-	-	2,826,962	2,730,104
Other investment	131,785	131,785	131,785	131,785
Loans and receivables from related parties	-	-	2,913,972	2,185,830
Accrued Income	354,000	354,000	2,073,361	2,061,205
Total non-current assets	16,305,994	16,446,940	22,207,295	21,404,732
Trade and other receivables	5,683,398	3,008,042	5,046,301	2,807,063
Loans and receivables from related parties	739,181	810,422	835,503	810,422
Prepayments	510,570	511,788	367,013	436,805
Accrued income	7,777,766	7,219,601	7,993,545	7,634,132
Cash at bank and in hand	4,904,488	7,193,681	4,029,679	6,634,403
Total current assets	19,615,403	18,743,534	18,272,041	18,322,825
Total assets	35,921,397	35,190,474	40,479,336	39,727,557

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2016

	The Group		The Company	
	30.06.16 Unaudited	31.12.15 Audited	30.06.16 Unaudited	31.12.15 Audited
	€	€	€	€
Equity				
Share capital	9,499,991	8,999,991	9,499,991	8,999,991
Reserves	1,004,987	1,529,262	906,719	1,413,739
Retained earnings	15,284,614	15,323,249	19,509,997	19,426,460
Total equity attributable to equity holders of the Company	25,789,592	25,852,502	29,916,707	29,840,190
Non-controlling interest	(39,767)	(8,674)	-	-
Total equity	25,749,825	25,843,828	29,916,707	29,840,190
Liabilities				
Bank borrowings	2,361,412	2,465,781	2,361,412	2,465,781
Deferred tax liability	1,044,534	1,302,005	1,759,897	1,956,799
Derivatives	109,610	119,187	109,610	119,187
Total non-current liabilities	3,515,556	3,886,973	4,230,919	4,541,767
Bank borrowings	980,197	978,850	980,196	978,850
Trade and other payables	869,624	1,122,918	827,987	1,081,768
Current tax payable	2,685,710	1,436,346	2,685,710	1,436,346
Accruals	810,424	587,456	585,040	546,052
Deferred income	1,310,061	1,334,103	1,252,777	1,302,584
Total current liabilities	6,656,016	5,459,673	6,331,710	5,345,600
Total liabilities	10,171,572	9,346,646	10,562,629	9,887,367
Total equity and liabilities	35,921,397	35,190,474	40,479,336	39,727,557

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2016

THE GROUP

Attributable to equity holders of the Company

	Share capital €	Share premium €	Translation reserve €	Share Option reserve	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2015	8,999,991	1,292,743	59,244	220,043	12,357,823	22,929,844	10,940	22,940,784
Comprehensive income for the period								
Profit for the period	-	-	-	-	4,744,123	4,744,123	(3,540)	4,740,583
Other comprehensive income								
Foreign currency translation differences	-	-	39,532	-	-	39,532	(7,505)	32,027
Total other comprehensive income for the period	-	-	39,532	-	-	39,532	(7,505)	32,027
Total comprehensive income for the period	-	-	39,532	-	4,744,123	4,783,655	(11,045)	4,772,610
Transactions with owners of the Company								
Dividend to equity holders	-	-	-	-	(1,999,978)	(1,999,978)	-	(1,999,978)
Share options exercised	-	-	-	(74,471)	74,471	-	-	-
Balance at 30 June 2015	8,999,991	1,292,743	98,776	145,572	15,176,439	25,713,521	(105)	25,713,416
Balance at 1 January 2016	8,999,991	1,292,743	115,524	120,996	15,323,249	25,852,503	(8,674)	25,843,829
Comprehensive income for the period								
Profit for the period	-	-	-	-	2,456,343	2,456,343	(35,598)	2,420,745
Other comprehensive income								
Foreign currency translation differences	-	-	(17,256)	-	-	(17,256)	4,505	(12,751)
Total other comprehensive income for the period	-	-	(17,256)	-	-	(17,256)	4,505	(12,751)
Total comprehensive income for the period	-	-	(17,256)	-	2,456,343	2,439,087	(31,093)	2,407,994
Transactions with owners of the Company								
Bonus Issue	500,000	(500,000)	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	(2,501,998)	(2,501,998)	-	(2,501,998)
Share Options exercised	-	-	-	(7,020)	7,020	-	-	-
Balance at 30 June 2016	9,499,991	792,743	98,268	113,976	15,284,614	25,789,592	(39,767)	25,749,825

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2016

THE COMPANY

	Share capital €	Share premium €	Share Option reserve €	Retained earnings €	Total €
Balance at 1 January 2015	8,999,991	1,292,743	220,043	16,287,701	26,800,478
Comprehensive income for the period					
Profit for the period	-	-	-	4,828,275	4,828,275
Total comprehensive income for the period	-	-	-	4,828,275	4,828,275
Transactions with owners of the Company					
Dividend to equity holders	-	-	-	(1,999,978)	(1,999,978)
Share options exercised	-	-	(74,471)	74,471	-
Balance at 30 June 2015	8,999,991	1,292,743	145,572	19,190,469	29,628,775
Balance at 1 January 2016	8,999,991	1,292,743	120,996	19,426,460	29,840,190
Comprehensive income for the period					
Profit for the period	-	-	-	2,593,764	2,593,764
Transactions recorded directly in equity					
Discount unwind	-	-	-	(15,249)	(15,249)
Transactions with owners of the Company					
Bonus issue	500,000	(500,000)	-	-	-
Dividend to equity holders	-	-	-	(2,501,998)	(2,501,998)
Share options exercised	-	-	(7,020)	7,020	-
	500,000	(500,000)	(7,020)	(2,494,978)	(2,501,998)
Balance at 30 June 2016	9,499,991	792,743	113,976	19,509,997	29,916,707

RS2 Software p.l.c.

Statements of Comprehensive Income

For the six months ended 30 June 2016

	The Group		The Company	
	30.06.16 Unaudited	30.06.15 Unaudited	30.06.16 Unaudited	30.06.15 Unaudited
	€	€	€	€
Continuing Operations				
Revenue	11,247,355	11,548,027	10,404,462	10,912,353
Cost of sales	(5,421,690)	(4,736,278)	(4,733,961)	(4,143,522)
Gross profit	5,825,665	6,811,749	5,670,501	6,768,831
Other income	18,889	699,274	10,308	699,336
Marketing and promotional expenses	(364,908)	(250,853)	(328,545)	(248,305)
Administrative expenses	(1,444,534)	(1,164,351)	(1,120,388)	(1,005,090)
Capitalised development costs	231,178	415,527	231,178	415,527
Other expenses	(673,847)	(49,522)	(672,363)	(49,516)
Results from operating activities	3,592,443	6,461,824	3,790,691	6,580,783
Finance income	17,060	162,450	33,840	196,388
Finance costs	(193,558)	(68,957)	(178,093)	(53,255)
Net finance (cost)/income	(176,498)	93,493	(144,253)	143,133
Profit before income tax	3,415,945	6,555,317	3,646,438	6,723,916
Income tax expense	(995,200)	(1,814,734)	(1,052,674)	(1,895,641)
Profit for the period	2,420,745	4,740,583	2,593,764	4,828,275
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences on foreign operations	(12,751)	32,027	-	-
Total comprehensive income	2,407,994	4,772,610	2,593,764	4,828,275
Profit attributable to:				
Owners of the Company	2,456,343	4,744,123	2,593,764	4,828,275
Non-controlling interest	(35,598)	(3,540)	-	-
Profit for the period	2,420,745	4,740,583	2,593,764	4,828,275
Total comprehensive income attributable to:				
Owners of the Company	2,439,087	4,783,655	2,593,764	4,828,275
Non-controlling interest	(31,093)	(11,045)	-	-
Total comprehensive income for the period	2,407,994	4,772,610	2,593,764	4,828,275
Earnings per share	€ 0.016	€ 0.030	€ 0.016	€ 0.030

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2016

	The Group		The Company	
	30.06.16	30.06.15	30.06.16	30.06.15
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from operating activities				
Profit for the period	2,420,745	4,740,583	2,593,764	4,828,275
Adjustments for:				
Depreciation	312,355	254,846	233,704	180,972
Amortisation of intangible assets	311,963	526,534	312,008	525,739
Capitalised development costs	(231,178)	(415,527)	(231,178)	(415,527)
Provision for impairment loss on receivables	(2,177)	49,522	(2,177)	49,522
Interest payable	77,985	79,772	77,982	(38,765)
Interest receivable	(7,483)	(4,828)	(24,263)	79,940
Unwinding of amortisation on accrued income	23,351	15,701	8,103	-
Income tax	993,999	1,814,734	1,052,674	1,895,641
Provision for exchange fluctuations	395,981	(503,155)	395,981	(503,155)
Recharge of salaries from parent company	87,456	-	-	-
Changes in fair value of cash flow hedges	(9,577)	(27,938)	(9,577)	(27,938)
	4,373,420	6,530,244	4,407,021	6,574,704
Change in trade and other receivables	(3,593,329)	(2,855,546)	(3,465,945)	(2,442,065)
Change in trade and other payables	(121,503)	(233,970)	(358,716)	(489,346)
Cash generated from operating activities	658,588	3,440,728	582,360	3,643,293
Interest paid	(73,554)	(75,337)	(73,554)	(75,337)
Interest received	893	436	893	434
Income taxes paid	(1,729)	(2,950)	(134)	(2,950)
Net cash from operating activities	584,198	3,362,877	509,565	3,565,440
Cash flows from investing activities				
Acquisition of property, plant and equipment	(190,223)	(606,644)	(190,026)	(548,645)
Investment in subsidiaries	-	-	(112,105)	-
Advances to subsidiaries	-	-	(150,460)	(327,458)
Repayment of advances to subsidiaries	-	-	28,458	-
Net cash used in investing activities	(190,223)	(606,644)	(424,133)	(876,103)

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2016

	The Group		The Company	
	30.06.16 Unaudited	30.06.15 Unaudited	30.06.16 Unaudited	30.06.15 Unaudited
	€	€	€	€
Cash flows from financing activities				
Dividends paid	(2,495,575)	(1,996,322)	(2,495,575)	(1,996,322)
Proceeds from bank borrowings	377,791	259,298	377,791	259,298
Repayments of bank borrowings	(480,813)	(385,746)	(480,813)	(385,746)
Net cash used in financing activities	(2,598,597)	(2,122,770)	(2,598,597)	(2,122,770)
Net decrease in cash and cash equivalents	(2,204,622)	633,463	(2,513,165)	566,567
Cash and cash equivalents at 1 January	7,193,681	4,520,446	6,634,403	3,731,903
Effect of fair value movement	-	(627)	-	-
Effect of exchange rate fluctuations on cash held	(84,571)	78,170	(91,559)	78,155
Cash and cash equivalents at 30 June	4,904,488	5,231,452	4,029,679	4,376,625

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2016

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 the end and for the six months ended 30 June 2016 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 2015.

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 2015.

3.1 Determination of Fair Value

The Group has an established control framework with respect to the measurement of fair values. The reported carrying amounts of the Group's and Company's current financial instruments are the same as those applied in the last annual financial statements and are a reasonable approximation of the financial instruments' fair values in view of their short-term maturities and in the case of the derivative, this was measured at fair value.

The Group's and Company's fair values of other financial assets and liabilities, together with the carrying amounts in the statement of financial position are also a reasonable approximation of their respective fair values.

4 Segment reporting

4.1 Information about the Group's reportable segments

	Licensing		Processing		Total	
	30.06.16	30.06.15	30.06.16	30.06.15	30.06.16	30.06.15
	€	€	€	€	€	€
External revenues	10,285,309	10,737,323	962,046	810,704	11,247,355	11,548,027
Inter-segment revenues	116,398	175,030	-	-	116,398	175,030
Segment Revenues	10,401,707	10,912,353	962,046	810,704	11,363,753	11,723,057
Reportable segment profit/ (loss) before income tax	3,635,096	6,723,916	(292,419)	(241,762)	3,342,677	6,482,154

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2016

4 Segment reporting (continued)

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

	30.06.16	30.06.15
	€	€
External revenues		
Total revenue for reportable segments	11,363,753	11,723,057
Elimination of intersegment transactions	(116,398)	(175,030)
Consolidated revenues	<u>11,247,355</u>	<u>11,548,027</u>
Reportable segment profit before income tax		
Total reportable segment profit for reportable segments	3,342,677	6,482,154
Elimination of intersegment transactions	73,268	73,163
Consolidated reportable segment profit	<u>3,415,945</u>	<u>6,555,317</u>

5 Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired assets with a cost of €279,940 (six months ended 30 June 2015: €648,191), and there were no disposal of assets (six months ended 30 June 2015: €0).

6 Intangible assets

During the six months ended 30 June 2016, the Group capitalised expenditure on the development of computer software amounting to €231,178 (six months ended 30 June 2015: €415,527).

7 Investments in subsidiaries

On 4 April 2016, the Company subscribed to and was allotted 55,745 shares in RS2 Software APAC, a company registered in Philippines, representing 99.9% of the share capital of this subsidiary.

8 Related parties

8.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2015, the Group had the following the transactions with related parties:

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2016

8 Related parties (continued)

8.1 Related party transactions (continued)

	The Group		The Company	
	30.06.16 Unaudited €	30.06.15 Unaudited €	30.06.16 Unaudited €	30.06.15 Unaudited €
Parent company				
Interest charged to	5,996	1,283	5,996	1,283
Dividend paid to	1,252,081	1,000,854	1,252,081	1,000,854
Subsidiaries				
Payments for services provided to			5,753	19,825
Services provided to			526,094	512,291
Services not yet invoiced provided to			86,468	-
Interest charged to			16,860	34,925
Payments on behalf of			98,973	327,454
Recharge of salaries			87,456	-
Other related entities				
Services provided by	583,263	582,435	559,716	582,435
Services provided to	2,189,766	3,609,965	2,189,766	3,609,965
Services not yet invoiced provided to	147,437	125,874	147,437	125,874
Payments for services provided by	653,723	522,480	625,400	522,480
Payments for services provided to	1,707,575	4,891,586	1,707,575	4,891,586
Interest charged to	-	824	-	824

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

8.2 Related party balances

	The Group		The Company	
	30.06.16 Unaudited €	30.06.15 Audited €	30.06.16 Unaudited €	30.06.15 Audited €
Amounts receivable				
Amounts owed by parent company	750,376	738,370	750,376	738,070
Amounts owed by subsidiary companies	-	-	2,890,947	4,104,477
Amounts owed by other related entities	470,996	1,280,360	567,317	1,280,360
Amounts payable				
Trade payables due to other related entities	14,160	7,080	14,160	7,080

RS2 Software p.l.c.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2016

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 2016, as well as the financial performance and cash flows for the period ended 30 June 2016; 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