

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 22 April 2014, the Board of Directors of RS2 Software p.l.c. approved the financial statements for the financial year ended 31 December 2013. 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, 11 June 2014.

Shareholders appearing on the shareholders' register as at the close of business on Monday, 12 May 2014 will receive notice of the Annual General Meeting, together with the Annual Report and Financial Statements for the financial year ended 31 December 2013. 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 subsidiaries 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 €0.0235 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, 12 June 2014 to shareholders who appear on the shareholders' register as at the close of business on Monday, 12 May 2014.

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 seventeen (17) shares held by shareholders on the Company's share register as at close of business on Monday, 12 May 2014. 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, 12 May 2014 will include trades undertaken up to and including Wednesday 7 May 2014.

Unquote



Dr Ivan Gatt
Company Secretary
22 April 2014

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2013

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Assets				
Property, plant and equipment	7,735,414	7,305,188	7,357,640	7,282,356
Intangible assets	7,657,368	8,336,856	6,301,955	6,920,114
Deferred tax assets	-	261,896	-	261,896
Investments in subsidiaries	-	-	758,942	758,942
Other investment	218,978	218,978	218,978	218,978
Amount receivable from related parties	422,129	652,630	1,565,268	652,630
Accrued income	2,968,688	-	5,168,688	2,060,000
Trade receivables	647,220	-	647,220	-
Total non-current assets	19,649,797	16,775,548	22,018,691	18,154,916
Trade and other receivables	2,806,491	3,342,056	2,617,669	3,339,195
Loans and receivables from related parties	941,701	1,333,494	2,458,276	2,400,103
Prepayments	283,533	176,089	238,576	171,467
Accrued income	2,985,070	4,690,851	2,944,097	4,690,851
Other investments	-	555,173	-	555,173
Cash at bank and in hand	3,643,250	916,202	3,264,175	892,219
Total current assets	10,660,045	11,013,865	11,522,793	12,049,008
Total assets	30,309,842	27,789,413	33,541,484	30,203,924

RS2 Software p.l.c.

Statements of Financial Position

As at 31 December 2013

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Equity				
Share capital	8,499,991	7,999,991	8,499,991	7,999,991
Reserves	2,227,075	2,408,404	2,227,438	2,382,940
Retained earnings	10,757,376	8,787,043	13,743,043	11,303,693
Total equity attributable to equity holders of the Company	21,484,442	19,195,438	24,470,472	21,686,624
Non-controlling interest	(112,281)	(43,250)	-	-
Total equity	21,372,161	19,152,188	24,470,472	21,686,624
Liabilities				
Bank borrowings	3,154,238	4,241,047	3,154,238	4,241,047
Deferred tax liability	1,089,455	-	1,358,499	-
Derivatives	149,263	223,236	149,263	223,236
Total non-current liabilities	4,392,956	4,464,283	4,662,000	4,464,283
Bank borrowings	1,022,180	919,947	1,022,180	919,947
Trade and other payables	945,664	1,277,982	821,180	1,036,277
Accruals	762,572	591,861	757,239	713,637
Deferred income	1,814,309	1,383,152	1,808,413	1,383,156
Total current liabilities	4,544,725	4,172,942	4,409,012	4,053,017
Total liabilities	8,937,681	8,637,225	9,071,012	8,517,300
Total equity and liabilities	30,309,842	27,789,413	33,541,484	30,203,924

RS2 Software p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2013

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 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 for the year	-	-	-	-	-	-	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 change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(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)	-	864,217	-	-	-
Equity settled share-based payments	-	-	-	-	-	31,746	-	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	60,586	8,787,043	19,195,438	(43,250)	19,152,188
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 changes 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 recorded directly in equity										
Bonus issue	500,000	(500,000)	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
	500,000	(500,000)	-	-	-	-	(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

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Statements of Changes in Equity

For the year ended 31 December 2013

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Statutory 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 year							
Profit for the year	-	-	-	-	-	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)	-	864,217	-
Equity settled share-based payments	-	-	-	-	31,746	-	31,746
Balance at 31 December 2012	7,999,991	2,292,743	21,187	8,424	60,586	11,303,693	21,686,624
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 recorded directly in equity							
Bonus issue	500,000	(500,000)	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	(1,000,000)	(1,000,000)
	500,000	(500,000)	-	-	-	(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
Balance at 31 December 2013	8,499,991	1,792,743	-	-	434,695	13,743,043	24,470,472

RS2 Software p.l.c.

Statements of Comprehensive Income

For the year ended 31 December 2013

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Continuing Operations				
Revenue	14,130,264	10,642,419	13,484,895	12,702,419
Cost of sales	(7,384,566)	(5,765,198)	(6,424,021)	(5,450,051)
Gross profit	6,745,698	4,877,221	7,060,874	7,252,368
Other income	14,341	88,460	14,341	78,462
Marketing and promotional expenses	(488,636)	(530,321)	(331,261)	(468,425)
Administrative expenses	(2,214,698)	(1,440,533)	(1,909,285)	(1,335,444)
Capitalised development costs	377,807	426,288	377,807	426,288
Other expenses	(102,298)	(192,528)	(109,539)	(195,202)
Results from operating activities	4,332,214	3,228,587	5,102,937	5,758,047
Finance income	156,582	180,107	195,233	150,990
Finance costs	(233,173)	(258,860)	(230,828)	(257,185)
Net finance costs	(76,591)	(78,753)	(35,595)	(106,195)
Profit before income tax	4,255,623	3,149,834	5,067,342	5,651,852
Income tax expense	(1,400,731)	(803,506)	(1,669,732)	(803,503)
Profit for the year	2,854,892	2,346,328	3,397,610	4,848,349
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences on foreign operations	(21,157)	6,141	-	-
Net changes in fair value of available-for-sale financial assets	(21,187)	(6,713)	(21,187)	(6,713)
Total comprehensive income	2,812,548	2,345,756	3,376,423	4,841,636
Profit attributable to:				
Owners of the Company	2,928,593	2,476,249	3,397,610	4,848,349
Non-controlling interest	(73,701)	(129,921)	-	-
Profit for the year	2,854,892	2,346,328	3,397,610	4,848,349
Total comprehensive income attributable to:				
Owners of the Company	2,881,579	2,465,884	3,376,423	4,841,636
Non-controlling interest	(69,031)	(120,128)	-	-
Total comprehensive income for the year	2,812,548	2,345,756	3,376,423	4,841,636
Earnings per share	€ 0.069	€ 0.058	€ 0.080	€ 0.114

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2013

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Cash flows from operating activities				
Profit for the year	2,854,892	2,346,328	3,397,610	4,848,349
Adjustments for:				
Depreciation	425,279	290,060	295,459	270,497
Amortisation of intangible assets	995,965	969,885	995,965	969,885
Capitalised development costs	(377,807)	(426,288)	(377,807)	(426,288)
Provision for impairment loss on receivables	(11,819)	150,868	(11,819)	150,868
Interest payable	232,958	146,844	230,615	145,211
Interest receivable	(34,377)	(64,240)	(73,317)	(80,538)
Gain on disposal of fair value of financial asset	(39,968)	-	(39,968)	-
Gain on sale of property plant and equipment	-	(118,205)	-	(72,780)
Income tax	1,393,395	803,506	1,669,732	803,503
Provision for exchange fluctuations	74,170	80,412	74,171	83,086
Fair value of share option	407,425	31,750	407,425	31,750
Changes in fair value of cash flow hedge	(73,973)	72,099	(73,973)	72,099
	5,846,140	4,283,019	6,494,093	6,795,642
Changes in trade and other receivables	(1,568,736)	(3,510,252)	(1,582,316)	(5,572,910)
Changes in trade and other payables	150,073	373,799	158,519	324,002
Changes in parent company's balance	(11,145)	(1,211)	(11,145)	(1,211)
Cash generated from operating activities	4,416,332	1,145,355	5,059,151	1,545,523
Interest paid	(212,401)	(145,211)	(212,401)	(145,211)
Interest received	70,775	39,760	93,728	39,748
Income taxes paid	(15,934)	(5,482)	(15,934)	(5,479)
Net cash from operating activities	4,258,772	1,034,422	4,924,544	1,434,581
Cash flows from investing activities				
Acquisition of property, plant and equipment	(812,250)	(2,177,354)	(327,463)	(2,142,790)
Proceeds on sale of property plant and equipment	-	9,500	-	9,500
Investment in subsidiaries	-	-	-	(1,200)
Disposal of available-for-sale financial assets	573,953	1,499,895	573,953	1,499,895
Acquisition of available-for-sale financial assets	-	(1,001,850)	-	(1,001,850)
Advances to parent company	-	-	-	-
Advances to subsidiaries	-	-	(1,498,172)	(401,498)
Repayment of advances to subsidiaries	-	-	18,236	-
Repayment of advances to other related parties	65,935	-	65,935	-
Net cash used in investing activities	(172,362)	(1,669,809)	(1,167,511)	(2,037,943)

RS2 Software p.l.c.

Statements of Cash Flows

For the year ended 31 December 2013

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Cash flows from financing activities				
Dividends paid	(408,479)	-	(408,479)	-
Proceeds from bank borrowings	-	843,065	-	843,065
Repayments of bank borrowings	(984,576)	(936,948)	(984,576)	(936,948)
Repayments of finance lease	-	-	-	-
Advances by non-controlling interest	25,839	35,498	-	-
Net cash used in financing activities	(1,367,216)	(58,385)	(1,393,055)	(93,883)
Net increase/(decrease) in cash and cash equivalents	2,719,194	(693,772)	2,363,978	(697,245)
Cash and cash equivalents at 1 January	908,041	1,658,156	884,058	1,620,177
Decrease in cash due to sale of subsidiary	-	(18,767)	-	-
Effect of exchange rate fluctuations on cash held	7,852	(37,454)	7,976	(38,752)
Movement in cash pledged as guarantee	(121)	(122)	(121)	(122)
Cash and cash equivalents at 31 December	3,634,966	908,041	3,255,891	884,058

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

During 2013, RS2 continued to build on the momentum of the previous year's performance and consolidated the delivery of another very positive year both for the Company and the Group.

The Company

Total revenue for 2013 amounted to €13.5m representing a 6.2% increase over 2012. In 2013, the revenue mix was very similar to that of the previous year, with 49% of the total revenue for 2013 made up of licence fees for the use of BankWORKS®.

The cost of sales for the year ended 2013 amounted to €6.4m, an increase of 18% over the previous year. Due to the expansion and the increase in RS2's global client base and system implementation, the Company continued to invest in its infrastructure and human resources. As a result, gross profit margin for the year stood at €7.1m a slight decrease of 3% over 2012.

In accordance with accounting rules and regulations, the Company recognised a notional cost of €0.4m on the shares granted to its employees as part of the share option scheme for services provided in 2013. This cost is a non-cash expense and was transferred to the Share Option Reserve. As the share option is exercised by our eligible employees, this cost will gradually be transferred to the Retained Earnings Reserve.

In 2013, the Company, in line with its strategy, continued to invest in its BankWORKS® product, and has capitalised development costs of €0.4m. The Company's main aim is to keep BankWORKS® updated with the latest technology in the market and therefore committed to keep investing heavily in its core product and maintain BankWORKS® at the forefront, so as to retain the existing client base whilst attracting new clients.

For the year under review, profit before tax (PBT) amounted to €5.1m a decrease of 10% when compared to 2012. Tax for the year amounted to €1.7m comprising mainly the movement in deferred tax asset. The Company continued to benefit from the accumulated Investment Tax Credits under the Malta Enterprise Act.

In the past two years, the Company utilised a significant amount of the accumulated tax credit, and as a consequence it registered a shift from a deferred tax asset in the balance sheet to a deferred tax liability of €1.5m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2013 amounted to €6.5m, a decrease of €0.4m and reflects the strong position of the Company's core profitability for 2013.

The Group

On a consolidated basis, the Group registered a 33% increase in revenue when compared to 2012. This is explained by the elimination of intra-group sales in 2012, coupled with new revenues generated by a subsidiary in 2013.

Gross profit for the Group increased by €1.9m when compared to 2012. Profit before taxation amounted to € 4.3m, an increase of 35% over 2012.

The Group generated cash from operation of €4.3m compared to €1.0m generated in 2012. At year end, the Group's cash