



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 22 August 2017, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2017. 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

A handwritten signature in black ink, appearing to read 'Ivan Gatt', with a horizontal line underneath.

Dr Ivan Gatt
Company Secretary
23 August 2017



Interim Financial Statements

For the six months ended
30 June 2017

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the six months ended 30 June 2017

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RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2017

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 2017 and its comparative period in 2016. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2016. 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

The Group generated total revenues of €10.6m for the first half of 2017 demonstrating a better performance in comparison with the €9.7m reported for the first half of 2016 as a result of the net increase revenue from services and managed services as partly offset a decline in licence fees.

During 2017, the Group has started to reap returns from its past drive to increase its staff compliment to meet client demands. The new subsidiary in Manila, Philippines commenced its development and support services operations to the Malta headquarters becoming a development support centre as originally planned. Notwithstanding this, increases in cost of sales remained at a relatively stable pace compared to 2016, only increasing by 4%.

Gross Profit amounts to €5m, an increase of 17% when compared with €4.3m for the first half of 2016. The increase in Gross Profit is largely attributable to the increases in revenue whilst maintaining cost of sales at 2016 levels, though marginally higher.

Administrative and marketing expenses increased by 34% and 21% respectively. Such increases are reflective of the ongoing efforts in marketing activities, resulting in a very healthy sales pipeline for the Group whilst administrative expenses have increased as the Group continues to strengthen its administrative functions in support of the planned international growth, especially through its operational offices in US and Philippines. Such an intensive drive towards international expansion, through 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 customers and as well as strategic partners.

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2017

Profit before tax for the Group amounts to €2.5m, an increase of 38% when compared to the same period last year. In addition to the net increases in revenue when matched to expenses, this positive result emanated from the fact that the Group was impacted by exchange losses which were lower by 52% compared to prior year and by managing to double the amount of development costs which was capitalised over the same period last year.

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.

During the first half of 2017 the Group continued its implementation of its business strategy by intensively growing its managed services business line. As announced in January 2017, RS2 Smart Processing concluded three major agreements with one of the largest acquirer in Europe, a Latin American company and a Canadian company. In addition to these new agreements, the Group has already concluded letters of intent and is in an advanced stage of contract negotiation for delivery of managed services to clients in Argentina, Australia, UK and Portugal. Implementations of these new engagements is currently underway. Revenue from these contracts is expected to be generated over the coming months and years. When completed, the number of live clients for the Group's managed services business will multiply threefold and will consequently increase the recurring revenue from this business stream. Revenue from transaction services from these agreements is expected to start materialising in the later part of 2017.

The Group has continued to invest in the capabilities required for global expansion by attracting international talent to strengthen its senior management team. To this end, in May 2017, Mr. Patrick Clarke was appointed the new Chief Technology Officer (CTO). Mr. Clarke brings with him extensive knowledge and expertise of the payments industry having co-founded and lead OmniPay (a First Data company), a global acquirer processing company, as its CEO. Mr. Clarke is also a Certified Information Systems Security Professional (CISSP) and Payment Card Industry Qualified Security Assessor (PCI QSA).

In furthering its strategy of expansion across regional markets, on 10th July, 2017, RS2 Software p.l.c. entered into a Strategic Alliance with Quattro Processing Services, a global FinTech company that specializes in full service payment processing. The purpose of this alliance is for Quattro to offer an end-to-end hosted credit card processing and acquiring technology platform, for the Banks and Financial Institutions in India by making use of RS2 Software p.l.c.'s software BankWORKS®. RS2's strategic partnership with Quattro, the first-of-its-kind with any other payments processing company in the world, will enable the Group to gain entry into the strategically important Indian market whilst opening up multitude of opportunities. Quattro's end-to-end processing capabilities and other value service proposition such as Data Analytics, Fraud and Risk Management will be utilized by RS2 to services its worldwide customer base within its Global Issuing and Acquiring business with RS2 benefitting from a profit share relating to the whole operations.

RS2 Software p.l.c.

Director's Report

For the six months ended 30 June 2017

Over the past year the Group has continued to build its strong network established with reputable market service providers and individuals in the United States. The important milestone achieved by the Group over the past two years in securing a sponsorship for its managed services business in the US makes it well poised in its development of its business in the USA. 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 Indonesia and Australia to offer mainly 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.

Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2016, 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 22 August 2017 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 2017

| | The Group | | The Company | |
|------------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | 30.06.17 Unaudited | 31.12.16 Audited | 30.06.17 Unaudited | 31.12.16 Audited |
| | € | € | € | € |
| Assets | | | | |
| Property, plant and equipment | 9,038,091 | 9,034,813 | 8,704,119 | 8,713,657 |
| Intangible assets | 6,839,736 | 6,815,115 | 5,465,436 | 5,327,256 |
| Investment in subsidiaries | - | - | 5,706,353 | 5,737,262 |
| Other investment | 131,785 | 131,785 | 131,785 | 131,785 |
| Loans and receivables from related | - | - | 505,685 | 23,751 |
| Accrued Income | - | - | 1,268,617 | 1,241,928 |
| Total non-current assets | 16,009,612 | 15,981,713 | 21,781,995 | 21,175,639 |
| Trade and other receivables | 4,271,823 | 1,999,493 | 4,174,775 | 1,804,112 |
| Loans and receivables from related | 2,067,238 | 918,566 | 2,664,296 | 1,554,951 |
| Prepayments | 372,227 | 624,578 | 285,786 | 425,540 |
| Accrued income | 5,720,929 | 6,011,551 | 5,170,382 | 6,314,841 |
| Cash at bank and in hand | 3,807,413 | 6,344,155 | 3,168,448 | 5,535,139 |
| Total current assets | 16,239,630 | 15,898,343 | 15,463,687 | 15,634,583 |
| Total assets | 32,249,242 | 31,880,056 | 37,245,682 | 36,810,222 |

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2017

| | The Group | | The Company | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | 30.06.17 Unaudited | 31.12.16 Audited | 30.06.17 Unaudited | 31.12.16 Audited |
| | € | € | € | € |
| Equity | | | | |
| Share capital | 10,291,657 | 9,499,991 | 10,291,657 | 9,499,991 |
| Reserves | 220,531 | 1,000,911 | 97,764 | 891,139 |
| Retained earnings | 11,432,647 | 11,506,615 | 17,006,818 | 16,791,843 |
| Total equity attributable to equity holders of the Company | 21,944,835 | 22,007,517 | 27,396,239 | 27,182,973 |
| Non-controlling interest | (198,742) | (142,177) | - | - |
| Total equity | 21,746,093 | 21,865,340 | 27,396,239 | 27,182,973 |
| Liabilities | | | | |
| Bank borrowings | 1,351,821 | 1,859,899 | 1,351,821 | 1,859,899 |
| Deferred tax liability | 690,107 | 758,265 | 1,441,683 | 1,518,485 |
| Employee Benefits | 1,940,111 | 1,922,045 | 1,368,931 | 1,356,070 |
| Derivatives | 63,707 | 84,254 | 63,707 | 84,254 |
| Total non-current liabilities | 4,045,746 | 4,624,463 | 4,226,142 | 4,818,708 |
| Bank borrowings | 1,007,001 | 993,938 | 1,007,000 | 993,937 |
| Trade and other payables | 998,415 | 849,711 | 884,058 | 729,545 |
| Current tax payable | 2,092,828 | 958,215 | 2,092,828 | 958,215 |
| Accruals | 974,676 | 828,974 | 316,911 | 372,181 |
| Employee Benefits | 111,422 | 111,422 | 111,422 | 111,422 |
| Deferred income | 1,273,061 | 1,647,993 | 1,211,082 | 1,643,241 |
| Total current liabilities | 6,457,403 | 5,390,253 | 5,623,301 | 4,808,541 |
| Total liabilities | 10,503,149 | 10,014,716 | 9,849,443 | 9,627,249 |
| Total equity and liabilities | 32,249,242 | 31,880,056 | 37,245,682 | 36,810,222 |

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2017

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 2016 | 8,999,991 | 1,292,743 | 115,523 | 120,996 | 15,323,249 | 25,852,502 | (8,674) | 25,843,828 |
| Impact of correction of errors | - | - | - | - | (1,914,139) | (1,914,139) | - | (1,914,139) |
| Restated balance at 1 January 2016 | 8,999,991 | 1,292,743 | 115,523 | 120,996 | 13,409,110 | 23,938,363 | (8,674) | 23,929,689 |
| Comprehensive Income for the period (restated) | | | | | | | | |
| Profit for the period | - | - | - | - | 1,381,996 | 1,381,996 | (35,598) | 1,346,398 |
| 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 (restated) | - | - | (17,256) | - | 1,381,996 | 1,364,740 | (31,093) | 1,333,647 |
| 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 | 98,267 | 113,976 | 12,296,128 | 22,801,105 | (39,767) | 22,761,338 |
| Balance at 1 January 2017 | 9,499,991 | 792,743 | 109,771 | 98,396 | 11,506,618 | 22,007,519 | (142,187) | 21,865,332 |
| Comprehensive Income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 1,507,738 | 1,507,738 | (78,987) | 1,428,751 |
| Other comprehensive Income | | | | | | | | |
| Foreign currency translation differences | - | - | 12,996 | - | (86) | 12,910 | 22,432 | 35,342 |
| Total other comprehensive income for the period | - | - | 12,996 | - | (86) | 12,910 | 22,432 | 35,342 |
| Total comprehensive income for the period | - | - | 12,996 | - | 1,507,652 | 1,520,648 | (56,555) | 1,464,093 |
| Transactions with owners of the Company | | | | | | | | |
| Bonus Issue | 791,666 | (791,666) | - | - | - | - | - | - |
| Dividend to equity holders | - | - | - | - | (1,583,332) | (1,583,332) | - | (1,583,332) |
| Share Options exercised | - | - | - | (1,709) | 1,709 | - | - | - |
| Balance at 30 June 2017 | 10,291,657 | 1,077 | 122,767 | 96,687 | 11,432,647 | 21,944,835 | (198,742) | 21,746,093 |

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2017

THE COMPANY

| | Share capital € | Share premium € | Share Option reserve € | Retained earnings € | Total € |
|---|-----------------------|-----------------------|---------------------------------|---------------------------|--------------------|
| Balance at 1 January 2016 | 8,999,991 | 1,292,743 | 120,996 | 19,426,460 | 29,840,190 |
| Impact of correction of errors | - | - | - | (1,358,420) | (1,358,420) |
| Restated balance at 1 January 2016 | 8,999,991 | 1,292,743 | 120,996 | 18,068,040 | 28,481,770 |
| Comprehensive Income for the year (restated) | | | | | |
| Profit for the period | - | - | - | 1,524,520 | 1,524,520 |
| Total comprehensive income for the period | - | - | - | 1,524,520 | 1,524,520 |
| 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 | - |
| Balance at 30 June 2016 | 9,499,991 | 792,743 | 113,976 | 17,082,333 | 27,489,043 |
| Balance at 1 January 2017 | 9,499,991 | 792,743 | 98,396 | 16,791,843 | 27,182,973 |
| Comprehensive Income for the period | | | | | |
| Profit for the period | - | - | - | 1,827,506 | 1,827,506 |
| Transactions recorded directly in equity | | | | | |
| Discount unwind | - | - | - | (30,910) | (30,910) |
| Transactions with owners of the Company | | | | | |
| Bonus issue | 791,666 | (791,666) | - | - | - |
| Dividend to equity holders | - | - | - | (1,583,330) | (1,583,330) |
| Share options exercised | - | - | (1,709) | 1,709 | - |
| | 791,666 | (791,666) | (1,709) | (1,581,621) | (1,583,330) |
| Balance at 30 June 2017 | 10,291,657 | 1,077 | 96,687 | 17,006,818 | 27,396,239 |

RS2 Software p.l.c.

Statements of Comprehensive Income

For the six months ended 30 June 2017

| | The Group | | The Company | |
|--|-----------------------|------------------------------------|-----------------------|------------------------------------|
| | 30.06.17 Unaudited | 30.06.16 Unaudited Restated* | 30.06.17 Unaudited | 30.06.16 Unaudited Restated* |
| | € | € | € | € |
| Continuing Operations | | | | |
| Revenue | 10,574,385 | 9,747,355 | 9,425,641 | 8,904,462 |
| Cost of sales | (5,633,958) | (5,439,354) | (4,837,247) | (4,746,522) |
| Gross profit | 4,940,427 | 4,308,001 | 4,588,394 | 4,157,940 |
| Other income | 42,571 | 18,889 | 45,801 | 10,308 |
| Marketing and promotional expenses | (441,355) | (365,761) | (389,759) | (329,398) |
| Administrative expenses | (2,039,336) | (1,525,364) | (1,394,503) | (1,201,218) |
| Capitalised development costs | 457,618 | 231,178 | 457,618 | 231,178 |
| Other expenses | (326,036) | (673,847) | (324,165) | (672,363) |
| Results from operating activities | 2,633,889 | 1,993,096 | 2,983,386 | 2,196,447 |
| Finance income | 44,566 | 17,060 | 75,420 | 33,840 |
| Finance costs | (172,401) | (193,558) | (172,369) | (178,093) |
| Net finance (cost)/income | (127,835) | (176,498) | (96,949) | (144,253) |
| Profit before income tax | 2,506,054 | 1,816,598 | 2,886,437 | 2,052,194 |
| Income tax expense | (1,077,303) | (470,200) | (1,058,931) | (527,674) |
| Profit for the period | 1,428,751 | 1,346,398 | 1,827,506 | 1,524,520 |
| Other comprehensive income | | | | |
| <i>Items that are or may be reclassified to profit or loss</i> | | | | |
| Foreign currency translation differences on foreign operations | 35,428 | (12,751) | - | - |
| Total comprehensive income | 1,464,179 | 1,333,647 | 1,827,506 | 1,524,520 |
| Profit attributable to: | | | | |
| Owners of the Company | 1,507,738 | 1,381,996 | 1,827,506 | 1,524,520 |
| Non-controlling interest | (78,987) | (35,598) | - | - |
| Profit for the period | 1,428,751 | 1,346,398 | 1,827,506 | 1,524,520 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 1,520,734 | 1,364,740 | 1,827,506 | 1,524,520 |
| Non-controlling interest | (56,555) | (31,093) | - | - |
| Total comprehensive income for the | 1,464,179 | 1,333,647 | 1,827,506 | 1,524,520 |
| Earnings per share | € 0.009 | € 0.008 | € 0.011 | € 0.009 |

* Certain amounts shown here have been restated to reflect prior year adjustments made for the provision for key management personnel post-employment benefits and for reassessment of revenue recognition criteria effecting revenue for the first 6 months of the comparative year.

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2017

| | The Group | | The Company | |
|---|-----------------------|------------------------------------|-----------------------|------------------------------------|
| | 30.06.17 Unaudited | 30.06.16 Unaudited Restated* | 30.06.17 Unaudited | 30.06.16 Unaudited Restated* |
| | € | € | € | € |
| Cash flows from operating activities | | | | |
| Profit for the period | 1,428,751 | 1,346,398 | 1,827,506 | 1,524,520 |
| Adjustments for: | | | | |
| Depreciation | 288,142 | 312,355 | 240,127 | 233,704 |
| Amortisation of intangible assets | 319,435 | 311,963 | 319,438 | 312,008 |
| Capitalised development costs | (457,618) | (231,178) | (457,618) | (231,178) |
| Provision for impairment loss on receivables | - | (2,177) | - | (2,177) |
| Bad debts written off | - | - | - | - |
| Interest payable | 54,630 | 77,985 | 54,630 | 77,982 |
| Interest receivable | (5,922) | (7,483) | (5,951) | (24,263) |
| Unwinding of post-employment benefits | 18,066 | 99,347 | 12,860 | 94,244 |
| Unwinding of discount on trade receivables and accrued income | (18,373) | 23,351 | (48,923) | 8,103 |
| Income tax | 1,077,303 | 468,999 | 1,058,931 | 527,674 |
| Provision for exchange fluctuations | 354,532 | 395,981 | 354,375 | 395,981 |
| Recharge of salaries from parent company | - | 87,456 | - | - |
| Gain on disposal of motor vehicles | 6,900 | - | 6,900 | - |
| Changes in fair value of cash flow hedges | (20,546) | (9,577) | (20,546) | (9,577) |
| | 3,045,300 | 2,873,420 | 3,341,729 | 2,907,021 |
| Change in trade and other receivables | (3,239,152) | (2,093,329) | (2,950,131) | (1,965,945) |
| Change in trade and other payables | 1,744 | (121,503) | (66,967) | (358,716) |
| Change in parent company's balance | - | - | 182,130 | - |
| Cash generated from operating activities | (192,108) | 658,588 | 506,761 | 582,360 |
| Interest paid | (55,935) | (73,554) | (55,935) | (73,554) |
| Interest received | 676 | 893 | 676 | 893 |
| Income taxes paid | (2,267) | (1,729) | (101) | (134) |
| Net cash from operating activities | (249,634) | 584,198 | 451,401 | 509,565 |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment | (208,619) | (190,223) | (89,964) | (190,026) |
| Proceeds from sale of property, plant and equipment | 6,900 | - | 6,900 | - |
| Investment in subsidiaries | - | - | - | (112,105) |
| Advances to subsidiaries | - | - | (597,645) | (150,460) |
| Repayment of advances to subsidiaries | - | - | - | 28,458 |
| Net cash used in Investing activities | (201,719) | (190,223) | (680,709) | (424,133) |

* Certain amounts shown here have been restated to reflect prior year adjustments made for the provision for key management personnel post-employment benefits and for reassessment of revenue recognition criteria effecting revenue for the first 6 months of the comparative year.

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2017

| | The Group | | The Company | |
|---|-----------------------|------------------------------------|-----------------------|------------------------------------|
| | 30.06.17 Unaudited | 30.06.16 Unaudited Restated* | 30.06.17 Unaudited | 30.06.16 Unaudited Restated* |
| | € | € | € | € |
| Cash flows from financing activities | | | | |
| Dividends paid | (1,578,120) | (2,495,575) | (1,578,120) | (2,495,575) |
| Proceeds from bank borrowings | - | 377,791 | - | 377,791 |
| Repayments of bank borrowings | (495,015) | (480,813) | (495,015) | (480,813) |
| Net cash used in financing activities | (2,073,135) | (2,598,597) | (2,073,135) | (2,598,597) |
| Net decrease in cash and cash equivalents | (2,524,488) | (2,204,622) | (2,302,443) | (2,513,165) |
| Cash and cash equivalents at 1 January | 6,344,155 | 7,193,681 | 5,535,139 | 6,634,403 |
| Effect of fair value movement | - | - | - | - |
| Effect of exchange rate fluctuations on cash held | (12,254) | (84,571) | (64,248) | (91,559) |
| Cash and cash equivalents at 30 June | 3,807,413 | 4,904,488 | 3,168,448 | 4,029,679 |

* Certain amounts shown here have been restated to reflect prior year adjustments made for the provision for key management personnel post-employment benefits and for reassessment of revenue recognition criteria effecting revenue for the first 6 months of the comparative year.

RS2 Software p.l.c.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017

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 2017 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 2016.

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 2016.

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 | |
|--|------------------|------------------|------------------|----------------|-------------------|------------------|
| | 30.06.17 | 30.06.16 | 30.06.17 | 30.06.16 | 30.06.17 | 30.06.16 |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| | € | € | € | € | € | € |
| External revenues | 9,211,610 | 8,785,309 | 1,362,775 | 962,046 | 10,574,385 | 9,747,355 |
| Inter-segment revenues | 214,031 | 116,398 | - | - | 214,031 | 116,398 |
| Segment Revenues | <u>9,425,641</u> | <u>8,901,707</u> | <u>1,362,775</u> | <u>962,046</u> | <u>10,788,416</u> | <u>9,863,753</u> |
| Reportable segment profit/ (loss) before income tax | 2,656,844 | 2,040,851 | (224,124) | (297,521) | 2,432,720 | 1,743,330 |

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Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017

4 Segment reporting (continued)

| | 30.06.17 Unaudited € | 30.06.16 Unaudited € |
|---|----------------------------|----------------------------|
| External revenues | | |
| Total revenue for reportable segments | 10,788,416 | 9,863,753 |
| Elimination of intersegment transactions | (214,031) | (116,398) |
| Consolidated revenues | <u>10,574,385</u> | <u>9,747,355</u> |
| | | |
| Reportable segment profit before income tax | | |
| Total reportable segment profit for reportable segments | 2,432,720 | 1,743,330 |
| Elimination of intersegment transactions | 73,334 | 73,268 |
| Consolidated reportable segment profit | <u>2,506,054</u> | <u>1,816,598</u> |

5 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired assets with a cost of €306,754 (six months ended 30 June 2016: €280,138), and disposal of an asset of €21,514 (six months ended 30 June 2016: €0).

6 Intangible assets

During the six months ended 30 June 2017, the Group capitalised expenditure on the development of computer software amounting to €457,618 (six months ended 30 June 2016: €231,178).

7 Related parties

7.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2016, the Group had the following the transactions with related parties:

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Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017

7 Related parties (continued)

7.1 Related party transactions (continued)

| | The Group | | The Company | |
|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30.06.17 Unaudited € | 30.06.16 Unaudited € | 30.06.17 Unaudited € | 30.06.16 Unaudited € |
| Parent company | | | | |
| Interest charged to | 5,213 | 5,996 | 5,213 | 5,996 |
| Dividend paid to | 792,350 | 1,252,081 | 792,350 | 1,252,081 |
| Subsidiaries | | | | |
| Payments for services provided to | | | 596,953 | 5,753 |
| Services provided to | | | 557,620 | 526,094 |
| Services not yet invoiced provided to | | | 138,918 | 86,468 |
| Interest charged to | | | - | 16,860 |
| Payments on behalf of | | | 597,646 | 98,973 |
| Recharge of salaries | | | 188,391 | 152,550 |
| Recharge of overhead to | | | 110,980 | 99,638 |
| Recharge of salaries by | | | 56,250 | 43,177 |
| Other related entities | | | | |
| Services provided by | 836,171 | 583,263 | 836,171 | 559,716 |
| Services provided to | 3,131,097 | 2,189,766 | 3,131,097 | 2,189,766 |
| Services not yet invoiced provided to | 1,739,293 | 2,446,670 | 1,739,293 | 2,446,670 |
| Services not yet invoiced provided by | (110,000) | 330,000 | (110,000) | 330,000 |
| Payments for services provided by | 646,567 | 653,723 | 646,567 | 625,400 |
| Payments for services provided to | 1,916,776 | 1,707,575 | 1,916,776 | 1,707,575 |

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 | |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| | 30.06.17 Unaudited € | 31.12.16 Audited € | 30.06.17 Unaudited € | 31.12.16 Audited € |
| Amounts receivable | | | | |
| Amounts owed by parent company | 760,047 | 754,834 | 760,047 | 754,834 |
| Amounts owed by subsidiary companies | - | - | 597,051 | 636,385 |
| Amounts owed by other related entities | 1,307,191 | 163,732 | 1,307,197 | 163,732 |
| Amounts payable | | | | |
| Trade payables due to other related entities | 20,976 | 20,186 | 20,976 | 39,378 |

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Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2017

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 2017, as well as the financial performance and cash flows for the period ended 30 June 2017; 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