WE ARE RS2015

ANNUAL REPORT & FINANCIAL STATEMENTS


TOGETHER
RS2
SOFTWARE P.L.C.

OUR VISION STRATEGY VALUES

ENABLING THE FUTURE

GY

DIVERSIFICATION | PRODUCT GROWTH

RESPECT | INTEGRITY | PARTNERSHIP

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MISSION STATEMENT & BUSINESS PHILOSOPHY

OUR AIM

We aim to exceed our Customers' expectations through the provision of superior technology and customer service excellence.

We are unswerving in our efforts to achieve growth and reach our business objectives for the benefit of our loyal Shareholders.

We hold our Employees in high esteem and aim to provide a pleasant environment in which to develop their full potential.

We aim to carry out our corporate social responsibility functions and to support the Community of which we form part.

CHAIRMAN'S STATEMENT

RS2 has, over the years, undertaken a mission of expansion and consolidation and has been successful in its efforts to grow its business in the different regions around the world. We have added global clients to the RS2 portfolio and with this in mind, our management team is gearing itself to accelerate its expansion plans and consolidate the Group's operations through the creation of Regional and Support Offices in the USA and Asia Pacific.

I am pleased to confirm that RS2 has completed another successful year of operations. We have increased our level of business and further improved our profitability levels. We acknowledge the importance of our clients and their contribution to make BankWORKS® a complete platform able to accommodate the most complex of client requirements.

Our Board of Directors has been further internationalised and strengthened through the inclusion of Mr. John Elkins, an internationally recognised specialist in the card payment and transaction processing industry. We welcome him and look forward to learning from his invaluable experience. I am confident that he will give a significant contribution to our plans for future growth.

Our globalisation efforts will include increased marketing efforts through the engagement of professionals with proven track records in the industry. Their task will be to penetrate established markets with a clear mission to highlight our platform's versatility and the advantages it offers over the legacy solutions operating in the transaction processing space. RS2 is well positioned to take advantage of its competitiveness in the market.

Once again I would like to express my sincere gratitude to our Board of Directors, our management team, our dedicated staff at all levels of our organisation and of course our shareholders for their support and encouragement.

MARIO SCHEMBRI
Chairman

28 April 2016

CEO'S STATEMENT

Dear Friends and Partners,

2015 has been another record year for RS2 and the Group has shown a steady growth in business and revenue which is mainly attributed to the outstanding effort of our great team, who manage to deliver high quality projects and services to our valued customers.

The Group continued to strengthen its position as a market leading technology provider for issuing, acquiring, clearing and settlement across the value chain, consolidating the Omni-channels that today exist in the payment landscape.

RS2 today is enabling its clients and partners to consolidate their business worldwide. Using BankWORKS® as a single platform they are able to offer their multi-national merchants end-to-end payment solutions by consolidating their billing and settlement, reporting, chargeback services, multi-currency transactions through BankWORKS® multi-channel enabler.

Early in 2015 the Group achieved a significant milestone as it concluded a licence agreement with a new client in Vietnam. This contract is another important milestone in the Group's strategy to further penetrate the Asian market and it will serve to open doors for others in the region.

In order for the Group to build on this success the management will diligently continue to implement the strategy initiated in 2012 by further promoting our managed services solution through our subsidiary RS2 Smart Processing Ltd. RS2 Smart Processing Ltd. is continuing to increase its business in the market by offering state of the art services and building alliances in several regions in Europe, United States and Asia Pacific with various acquirers and financial institutions in order to provide its clients with global acquiring services. The Company is today targeting tier one banks and payment service providers (PSPs) to enable them to provide businesses to their merchants globally utilising the central processing capabilities of BankWORKS®.

Our technology team is continuing to enhance our products and services using the latest technologies in order to meet the dynamic changes in the volatile payments market. In 2015, the Group dedicated substantial time and effort in research and development and enhancements of BankWORKS® by designing and implementing new modules and updating existing modules to ensure that RS2 maintains its very strong position and is always keeping abreast with both technology and industry developments. Further benchmarking tests have been carried out to test the processing capability of BankWORKS® and as previously announced the software is now proven capable of processing over 40 million transactions per hour, essentially double the performance results of previous tests.

In the local scene, in 2015 the Group launched its new office in Gozo, Malta's sister island, following a total investment of €1.3m. This office is now serving as an extension of the Malta operation where core development and support will be carried out. It is serving as a disaster recovery location, and call centre and operations in the future. Furthermore, this office provides capacity for expansion for the Group and an ability to tap more skilled resources.

REGIONAL EXPANSION

RS2 is steadily moving ahead with its expansion plans to open and develop new regions across the globe. It is expanding its operations beyond Europe and will be targeting the North American and the Asia Pacific (APAC) market in the next three years while continuing to develop and enhance other regions remotely from Europe.

Through its US subsidiary the Group established new offices in the United States at the Denver Tech Center in Denver Colorado. The US subsidiary will engage in both the licensing business as well as managed services and will serve as the US arm of the Group, offering our customers with implementation, consultancy and development services and managed services operations.

In the United States, we will be working very closely with financial institutions, ISOs and Payment Gateways to provide issuing, acquiring, chargeback and reconciliation services. The Group is pursuing various opportunities to develop and grow the business in the North American market through both organic and inorganic growth through joint ventures, partnerships and direct acquisition.

In the APAC region RS2 is establishing presence by incorporating a new subsidiary in Manila, Philippines. This subsidiary will be providing development and support services for the local market and will also operate as a satellite development centre for our headquarters. In APAC, the Group will be expanding its business by forming partnerships and in the future establish more regional offices dedicated to direct sales generation and providing implementation and managed services to local clients.

FINANCIAL HIGHLIGHTS

The Group generated record total revenues of €19.4m in 2015, an increase of 28% when compared to 2014 revenues. This increase in revenue is mostly attributable to an additional demand for services corresponding to a 43% increase over 2014. In 2015 revenue derived from service fees amounted to 62% of total Group revenues. This increased demand for services ensures a higher level of recurrent revenue to the Group and contributes towards the smoothening of the effects of fluctuations that may be created by the recognition of licence revenues as was experienced in past years.

Licence fees amounted to 20% of total Group revenues. These are made up of licences sold during the year to new clients, as well as licences from existing clients. Maintenance fees increased by 32% in 2015. This is mainly due to new maintenance agreements coming in force as new implementations are completed, but is partly offset by a 19% decrease in comprehensive packages as one of the Group's clients terminated its comprehensive package agreement and shifted to a maintenance agreement.

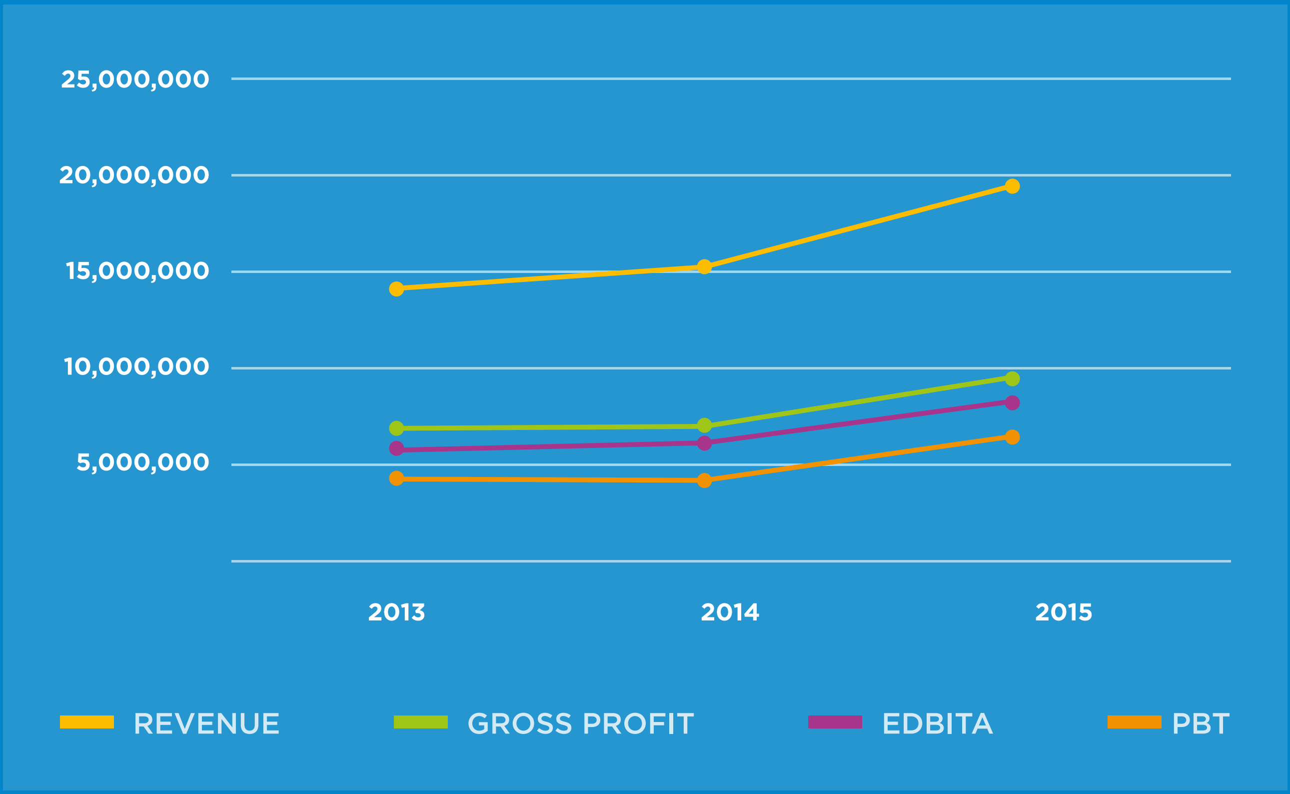
> “record total revenues of €19.4m in 2015”

Cost of sales for 2015 amount to €10m, which represents an increase of 20% over last year. Although less than proportionate, this increase is in line with the increased business and is mainly attributable to salaries and other services received by the Group during the year.

Gross profit for the year amounts to €9.4m, with a gross profit margin of 48%, an improvement of 3% over 2014 margin.

> “gross profit margin of 48%”

Group administrative expenses increased by 24% when compared to 2014, mainly attributable to increased human resources cost, software licence fees, higher travelling expenses as a direct result of the global expansion efforts and depreciation. Sales and marketing efforts increased considerably in 2015. The Group enhanced its sales team and increased participation in major industry events, resulting in an increased cost of 68% when compared with 2014. Investment in capitalised development costs increased by 121% as the Group more than doubled its efforts on enhancements to the BankWORKS® platform.



EBITDA for 2015 stands at €8.3m, representing 43% of total revenue and an increase of 35% over 2014

During 2015 the Group was positively impacted by fluctuations in foreign currency movements as represented under Other Income. On the other hand during 2015 the Group recognised a net amount of €1.2m in impairment losses on trade receivables (after reversing the effect of provisions for impairment accounted for in previous years and after eliminating the effect of unwinding of amortisation on the receivable balances). These impairment losses relate to the default on receivables accumulated over the past few years from two particular clients despite the Group's various efforts to recover such balances. The Group's client base remains strong and diverse, and although the amount of the impairment loss is substantial, it has no bearing on the Group's ability to meet payments when due, future operations and growth plans.

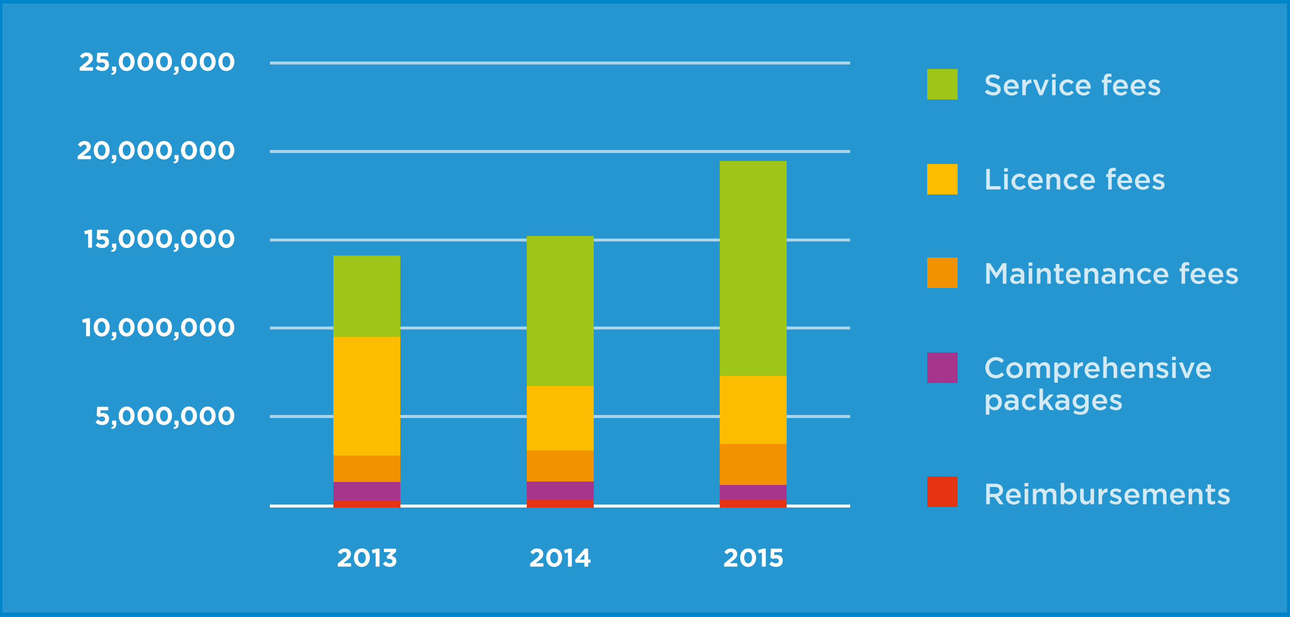
EBITDA for 2015 stands at €8.3m, representing 43% of total revenue and an increase of 35% over 2014. Eliminating the effect of the impairment loss, EBITDA would increase to €9.5m, representing 49% of total revenue.

Finance income is mainly composed of interest receivable, favourable movements in the fair value of the interest rate swap and discount unwind on trade receivables and accrued income. Finance expense is mainly composed of interest payable on bank borrowings and unrealised exchange losses on bank balances in foreign currency. Finance expense for the year has decreased substantially from 2014, in which year the Group recognised a cost of amortisation of long-term receivables, part of which is being unwound over time and other part is netted off against the impairment loss as described above.

The Group is reporting a profit before tax of €6.5m, representing a net profit margin of 33% and an increase of 54% over 2014. Income tax expense for 2015 amounts to €1.6m, resulting in profit after tax of €4.9m, an increase of 75% over 2014.

Group assets increased from €32.2m to €35.2m and total equity increased from €22.9m to €25.8m. Net cash generated from operating activities amounts to €6.2m when compared with €3.3m in 2014. After payment of €1.5m in acquisition of property, plant and equipment and a payment of dividend of €2m, the Group closes the year with a cash balance of €7.2m, compared with €4.5 at end of 2014. This places the Group in a very strong position to balance the financing of future expansion plans and rewarding our loyal shareholders with yet another dividend payment.

> **"profit before tax of €6.5m, representing a net profit margin of 33% and an increase of 54% over 2014"**



LOOKING FORWARD

The pipeline of all companies within the Group is very encouraging and we have a healthy contracted business with our current clients and we are working very diligently with potential customers and partners to bring them onboard.

The Group's focus for the coming two to three years will be global expansion with main emphasis on North America and Asia Pacific. We will be doing so by continuing to build and maintain strong and solid relationships with our clients and partners. We remain dedicated to developing BankWORKS®, our employees and our service offering to match and exceed customer expectations.

In conclusion, I thank our shareholders, the Board of Directors, our management and each and every employee within the Group for their hard work, loyalty and commitment. We have concluded yet again another record year, this success is attributable to you all. Thank you for your outstanding efforts and for your continued support to outperform 2015.

RADI ABD EL HAJ
Chief Executive Officer

28 April 2016

> “focus for the coming two to three years will be global expansion with main emphasis on North America and Asia Pacific”

BOARD OF DIRECTORS

MARIO SCHEMBRI
Chairman of the Board and Non-Executive Director

Mr Schembri has extensive knowledge related to card management systems, with diverse exposure to the international card organisations including VISA International, MasterCard and DINERS Club International. Mr Schembri has extensive knowledge relating to retail banking operations, product management and co-ordination. Up to the time of joining the Group, Mr Schembri had been in the banking industry for 26 years. He joined RS2 in 1999 and was appointed Chief Executive Officer in January 2008 and Chairman in January 2012.

RADI ABD EL HAJ
CEO and Executive Director

Mr El Haj joined RS2 in 1997 as a Project Manager for large European banks and was responsible for the implementation of corporate card programs, later promoted to Customer Relationship Manager in 2002 and Head of Sales and Implementation in 2004. His international experience, professional contacts in various regions and working closely with the Technical and Product Development Units within the Group, has contributed in providing RS2's clients with a global compliant platform. Since 2012 he became the Group CEO.

DR IVAN GATT LL.D.
Company Secretary

Dr Gatt LL.D. represents clients in a broad spectrum of substantive legal areas. Having vast experience in advising companies and board committees on corporate governance, he has facilitated a variety of transactions, including securities offerings, venture capital investments and corporate acquisitions. He assists clients with annual general meeting preparation and gives advice on numerous regulatory and compliance matters. Dr Gatt has presided over the Levy Appeals Board and the Customs and Excise Tax Appeals Board of the Ministry of Finance. Dr Gatt is the Managing Partner of GTG Advocates.

MAURICE XUEREB
Non-Executive Director

Mr Xuereb joined Barclays Bank – Dominion, Colonial and Overseas – a UK-based Barclays Bank subsidiary company in 1954. He joined Mid-Med Bank in 1975 and occupied various managerial and executive positions. He held the positions of Assistant and Deputy General Manager in various areas, including audit, human resources, advances, administration, finance, marketing and PR. He was instrumental in the setting up of the Bank's cards division and for several years occupied the position of Honorary Secretary of the Malta Banker's Association.

JOHN ELKINS
Non-Executive Director

Mr Elkins joined First Data in 2009 as EVP, Chief Marketing Officer. In 2011 he was appointed President, International Regions, of First Data, holding full P & L responsibility for all non-US business. Previously, he served as a Senior Advisor at McKinsey & Company and before that, he served as EVP and Chief Marketing Officer for Visa International. His previous Board roles include Wells Fargo Merchant Services and the UN Microfinance Advisory Board for Inclusive Financial Services. He currently serves on the boards of FINCA International and Elateral Ltd.

FRANCO AZZOPARDI
Non-Executive Director

Mr Azzopardi, a Certified Public Accountant with a UK MSc in Finance, spent twenty-seven years in public practice. Since 2007 he became a professional director and later on a fellow member of the UK Institute of Directors. His portfolio includes directorships on Boards, Audit Committees, and Risk and Compliance Committees of both listed and private companies in various sectors including banking, insurance, logistics and professional services. He is also the current President of the Malta Institute of Accountants.

DR ROBERT TUFIGNO LL.D.
Non-Executive Director

Dr Tufigno LL.D., has vast experience in company law, contract law, financial services, employment law, maritime law, sports law, telecommunications law and legislative drafting. Dr Tufigno, who is also an Arbitrator, has practised in the fields of general commercial law, property law and litigation. He has also acted as Chairman of Malta's Employment and Training Corporation and as Chairman of Malta's Housing Authority, and as past Board Director of Lohombus Bank. Dr Tufigno is a Partner of GTG Advocates.

CHRISTOPHER WOOD
Non-Executive Director

Mr Wood is the Chief Operating Officer for Barclaycard where he is accountable for corporate strategy, communications, control, payment scheme management and strategic analytics. Chris joined Barclays from Accenture in 2004 and has held a variety of senior roles across retail and commercial banking and, most recently, Barclaycard, including Head of Barclaycard International and Managing Director, Foundation & Partnerships UK Cards. Chris holds a BSc (Hons) in Business Administration, is a chartered accountant and sits on the Barclaycard Executive Committee.

CORPORATE SOCIAL RESPONSIBILITY

At RS2, we define corporate social responsibility as the business attitude that shapes the values underpinning the Group's mission and choices made each day by its executives, managers and employees as they engage with society. We believe that core principles define the essence of corporate citizenship, and that every company should apply them in a manner appropriate to its distinct needs: minimising harm, maximising benefit, being accountable and responsive to stakeholders, and supporting strong financial results.

For the Group, sustainability means building business for the long-term in a manner that strengthens future growth and development. RS2 is committed to build sustainable value for its employees, clients, shareholders and society and strives for a balance between high-performance and a culture of responsibility whilst balancing social, environmental and economic considerations in all decisions that are made in order to create the most comfortable working surroundings.

RS2 continuously embraces investing in its people. Training and personal development is the key scope of RS2's newly established Training Academy. With this institution every employee is tracked based on their skills and has the opportunity to educate themselves on required capabilities. Strongly motivated employees that pursue a vision are vital for the business success.

The Group encourages and supports employee activities aimed at donating money. Several activities are organised on a quarterly basis aimed at a particular individual's or institution's needs. RS2 volunteers give their time to help such cases by organising cooking and gaming events to raise funds and awareness. In addition to contributing to society, these activities also help bring employees together and create a sense of employee involvement.

TE BILITY

Corporate giving programs account for thousands of Euros in donations and sponsorships each year. Year on year RS2 commits to supporting not only local but also international events and institutions such as:

- **Kavallieri Hand Ball Team**
- **St. Joseph Home**
- **L-Istrina**
- **Caritas**
- **Kilimanjaro Expedition**
- **Science in the City 2013**
- **Knights Sports Club**
- **Startup weekend MITA**
- **National Blood Transfusion**
- **ALIVE: Cycling Challenge for Cancer**
- **Puttinu Cares Cancer Support Group**
- **Barclay's charity event:- CYCLE 2000 Charity Sports Persons Dinner in support of help for heroes & ABF 'The Soldiers Charity' - 25 Oct '13**
- **Various local & foreign Musicians and Artists**

RS2 regards its corporate social responsibility as a commitment yet simultaneously as an opportunity. The Group values its employees, customers and communities as they nourish its strong growth. This will in return reflect to better RS2 as an employer and as a communal partner around the globe.

The directors present their report, together with the financial statements of RS2 Software p.l.c. (the "Company") and its subsidiaries, RS2 Smart Processing Ltd, Transworks LLC and RS2 Software LAC LTDA (collectively referred to the "Group"), for the year ended 31 December 2015.

BOARD OF DIRECTORS

Mr Mario Schembri (Chairman)
Mr Radi Abd El Haj (CEO)
Mr Maurice Xuereb
Dr Robert Tufigno
Mr Franco Azzopardi
Mr Christopher Wood
Mr John Elkins (appointed on 17 August 2015)

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development, installation, implementation and marketing of computer software for financial institutions under the trade mark of BankWORKS® and the processing of payment transactions with the use of BankWORKS®.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business and performance of the Group during the year under review, and an indication of future developments are given in the Chief Executive Officer's Statement set out on pages 12 to 19 of this Annual Report.

DIVIDENDS

The directors recommend that at the next Annual General Meeting, the shareholders approve the declaration of a dividend of €0.02c78 per share amounting to €2,500,000 payable on 30 June 2016.

RESERVES

Retained earnings amounting to €19,426,460 for the Company and €15,323,249 for the Group are being carried forward.

PURSUANT TO LISTING RULE 5.62

Upon due consideration of the Company's profitability, balance sheet, capital adequacy and solvency, the directors are satisfied that at the time of approving the financial statements, the Company has adequate resources to continue operating as a going concern for the foreseeable future.

PURSUANT TO LISTING RULE 5.64

RULE 5.64.1 - SHARE CAPITAL STRUCTURE

On 9 June 2015, the Company resolved to re-designate the authorised share capital previously consisting of 50,000,000 Ordinary Shares of €0.20 each to 100,000,000 Ordinary Shares of €0.10 each. Following the share split, the Company's issued share capital is of €8,999,991.20 divided into 89,999,912 Ordinary Shares of €0.10 each, each Ordinary Share being fully paid up.

All of the issued shares of the Company form part of one class of Ordinary Shares in the Company, which shares are listed on the Malta Stock Exchange. All of the shares have the same rights and entitlement and rank pari passu between themselves. The following are highlights attaching to the Ordinary Shares:

DIVIDENDS:

The shares carry equal right to participate in any distribution of dividends declared by the Company;

VOTING RIGHTS:

Each share shall be entitled to one vote at the meetings of the shareholders;

PRE-EMPTION RIGHTS:

Subject to the limitations contained in the Memorandum and Articles of Association, shareholders are entitled to be offered any new shares to be issued by the Company, in proportion to their current shareholding, before such shares are offered to the public or to any person not being a shareholder;

CAPITAL DISTRIBUTIONS:

The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise;

TRANSFERABILITY:

The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange applicable from time to time;

OTHER:

The shares are not redeemable.

RULE 5.64.3 - HOLDING IN EXCESS OF 5% OF THE SHARE CAPITAL

On the basis of the information available to the Company as at 31 December 2015, Information Technology Management Holding Limited ("ITM") and Barclays Bank Plc ("Barclays") hold 45,038,878 and 16,425,000 shares respectively, equivalent to 50.04% and 18.25% of the Company's total issued share capital. In their capacity as ultimate shareholders of ITM, Ulrike Schäffter and Radi Abd El Haj indirectly hold, 25.02% and 25.02% of the issued share capital of the Company respectively. As far as the Company is aware, no other person holds an indirect shareholding in excess of 5% of its total issued share capital.

RULE 5.64.5 – EMPLOYEE SHARE OPTION SCHEME

The Company's share option scheme is administered by the Board of Directors. The decision of the Board on all disputes concerning share options is final.

RULE 5.64.7 – RESTRICTIONS ON TRANSFER OF SECURITIES

By virtue of an agreement entered between ITM and Barclays, ITM undertook that, for so long as it holds more than 10% of the issued share capital of the Company, upon receiving any offer from third parties to acquire securities it holds in the Company, it is required to offer any such shares that it is desirous to transfer to Barclays.

RULE 5.64.8 - APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Memorandum and Articles of the Company regulates the appointment of directors. Article 55.1 of the Articles of Association provides that a member holding not less than 0.5% of the issued share capital of the Company having voting rights or a number of members, who in the aggregate hold not less than 0.5% of the issued share capital of the Company having voting rights shall be entitled to nominate fit and proper persons for appointment as directors of the Company. In addition, the directors themselves or a committee appointed for the purpose by the directors may make recommendations and nominations to the shareholders for the appointment of directors at the next annual general meeting.

Furthermore, in accordance with the provisions of Article 55.1(d) of the Articles of Association, the Board of Directors, may, at any time appoint a director if it believes that the appointment would be beneficial to the Company due to the skill, expertise and knowledge of such person.

Article 55.3 of the Articles of Association of the Company also provides that in the event that the Board is of the opinion that none of the Directors appointed or elected in accordance with the provisions of these Articles is a non-executive independent Director competent in accounting and/or auditing as required by the Listing Rules relating to the composition of the Audit Committee, the Board shall, during the first board meeting after the annual general meeting appoint a person, who is independent and competent in accounting and/or auditing as a non-executive Director and shall appoint such person to the Audit Committee.

Unless they resign or are removed, directors shall hold office for a period of one year. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

Any director may be removed at any time by the Company in a General Meeting, provided that the director who is to be removed shall be given the opportunity of making representations. A resolution for the appointment and/or removal of a director shall be considered to be adopted if it received the assent of more than fifty percent of the members present and voting at the general meeting.

RULE 5.64.8 - AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Amendments to the Memorandum and Articles of Association of the Company are regulated by the Companies Act, 1995 (Chapter 386, Laws of Malta). Subject to the provisions of Article 79 of the Act, and the Approval of the Listing Authority, the Company may by extraordinary resolution alter or add to its Memorandum and Articles of Association.

RULE 5.64.9 - POWERS OF THE BOARD MEMBERS

The directors are vested with the management of the Company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts and sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the Company in general meeting.

By virtue of a resolution of the shareholders dated 12 June 2012, the Company's authorised share capital was increased to fifty million (50,000,000) ordinary shares of €0.20 each. On 9 June 2015, the Company resolved to re-designate the authorised share capital previously consisting of 50,000,000 Ordinary Shares of €0.20 each to 100,000,000 Ordinary Shares of €0.10 each.

By virtue of extraordinary resolution of the shareholders dated 2 May 2008, the Board of Directors is authorised to issue any share capital of the Company which is unissued, which authority is valid for a maximum period of five (5) years, renewable for further periods of five (5) years each. As at 31 December 2015, the Company had ten million and eighty eight (10,000,088) in unissued share capital.

RULE 5.64.11 – AGREEMENTS WITH EMPLOYEES

The Company has agreements with employees holding senior management positions providing for compensation upon termination based on the then applicable annual salary.

OTHER DISCLOSURES PURSUANT TO RULE 5.64

No disclosures are being made pursuant to Rules 5.64.2, 5.64.4, 5.64.6, 5.64.10 as these are not applicable to the Company.

PURSUANT TO LISTING RULE 5.70

The Company is party to an agreement for subcontracted services with RS Consult GmbH, which is 24% owned by a Director of the Company. Services provided by RS Consult GmbH to the Group during 2015 amounted to €995,178 (2014: €994,778).

Approved by the Board of Directors on 28 April 2016 and signed on its behalf by:

MARIO SCHEMBRI
CHAIRMAN

RADI ABD EL HAJ
DIRECTOR

Pursuant to the Malta Financial Services Authority Listing Rules 5.94 and 5.97, RS2 Software p.l.c. ("the Company") is hereby presenting a statement of compliance with the Code of Principles of Good Corporate Governance ("the Principles" or "the Code") for the year ended 31 December 2015, which details the extent to which the Principles have been adopted, as well as the effective measures taken by the Company to ensure compliance with these Principles.

Good corporate governance is the responsibility of the Board of Directors ("the Board"), which therefore adopts the Principles and endorses them accordingly. The Board believes that adoption of the Principles is evidence of the Company's commitment to a more transparent governance structure in the best interest of its shareholders and the market as a whole.

As demonstrated by the information set out on this statement, together with the information contained in the Remuneration Report, the Company believes that it has, save as indicated in the section entitled "Non-Compliance with the Code", throughout the accounting period under review, applied the Principles and complied with the provision of the Code. In the Non-Compliance Section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

PART 1: COMPLIANCE WITH THE CODE

PRINCIPLE ONE: THE BOARD

The Board is composed of one executive director and six non-executive directors.

All the directors, individually and collectively, are of the appropriate calibre with the necessary skills, diversity of knowledge and experience to assist them in providing leadership, integrity and judgement in directing the Company.

The Board is entrusted with establishing the long-term strategy, objectives and policies of the Company and ensuring that these are pursued within the parameters of the relevant laws and regulations and best business practices.

Further detail in relation to the Committees and the responsibilities of the Board may be found in Principle four of this statement.

PRINCIPLE TWO: CHAIRMAN AND CHIEF EXECUTIVE

In line with the Principles, the roles of the Chairman and the Chief Executive Officer are kept separate. The Company adopts a structure of clear division of responsibilities between the running of the Board and the management of the Company's business.

The Chairman is responsible to lead and set the agenda of the Board. The Chairman ensures that the Board's members are all actively engaged in discussions and receive precise, timely and objective information so that the directors can take judicious and rigorous decisions to be able to effectively monitor the performance of the Company. The Chairman is also responsible for communicating with shareholders. During 2015, the position of Chairman was occupied by Mr Mario Schembri.

The delegation of specific responsibilities to appropriate Committees, namely the Audit Committee and the Remuneration Committee is taken care of by the Chairman of the Board. On the other hand, the Chief Executive Officer takes care of the day to day running of the Company's business. During 2015, the position was occupied by Mr Radi Abd El Haj.

PRINCIPLE THREE: COMPOSITION OF THE BOARD

The number of directors shall be not less than three (3) and not more than seven (7) individuals. This range provides diversity of thought and experience without hindering effective discussion or diminishing individual accountability. Members of the senior management also attend meetings, albeit without a vote, at the request of the Board, as and when necessary.

The Board is currently composed of one (1) executive director (Chief Executive Officer) and six (6) non-executive directors, five of whom are independent. The Chairman is the non-executive, non-independent director, due to his involvement in the Company. In determining the independence or otherwise of its directors, the Board has considered, amongst others, the Principles relating to independence contained in the Code, the Company's own practice as well as general good practice.

In accordance with Code Provision 3.2 of the Code, the Board has taken the view that the business relationship existing between the Company and one of its directors, Dr Robert Tufigno is not significant and thus does not undermine the said director's ability to consider appropriately the issues which are brought before the Board. Apart from possessing valuable experience, the Board feels that the director in question is able to exercise independent judgment and is free from any relationship which can hinder his objectivity.

The appointment of directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment may be made to fill a casual vacancy on the Board or to comply with the provision of the Listing Rules, relating to the members of the Audit Committee. Prior to being appointed as directors, nominees undergo a due diligence process by the Company, to establish that they are fit and proper persons.

PRINCIPLE FOUR: THE RESPONSIBILITIES OF THE BOARD

The Board has the first level responsibility of executing the four basic roles of corporate governance namely accountability, monitoring, strategy formulation and policy development.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policy and the performance of the Company. The Board has a formal schedule of matters reserved for it to discuss and includes a review of the management's implementation of corporate strategy and corporate objectives, assessment of the Company's present and future operations, opportunities, risks and threats emanating from the external environment as well as current and future strengths and weaknesses.

BOARD COMMITTEES

The Board has established the following Committees:

AUDIT COMMITTEE

The Audit Committee's terms of reference, which have been approved by the Listing Authority, are modelled on the provisions of the Listing Rules, primarily to monitor the financial reporting process and the effectiveness of the Company's internal control procedures. Whilst the Committee vets and approves related party transactions, it also considers the materiality and the nature of related party transactions to ensure that the arm's length principle is adhered to.

The Audit Committee is responsible for managing the Board's relationship with the external auditors, for monitoring the audit of the annual and consolidated accounts, making recommendations to the Board on their appointment and monitoring their independence, especially with respect to non-audit services.

Mr Maurice Xuereb, a non-executive director, acts as Chairman, whilst Dr Robert Tufigno and Mr Franco Azzopardi act as members. The Company Secretary, Dr Ivan Gatt acts as secretary to the Committee. Mr Franco Azzopardi is a qualified accountant and auditor who the Board considers as the person independent and competent in accounting and auditing.

The members of the Audit Committee are free from any business, family or other relationship with the Company, its controlling shareholder and the management of either. Dr Robert Tufigno is a partner in GTG Advocates (legal advisors to the Company), however such relationship is not considered to be significant and does not create a conflict of interest such as to jeopardise exercise of his free judgement.

The executive director, members of senior management and the external auditors are invited to attend meetings at the request of the Committee, as and when required.

	Meetings held: 8 Attended
Mr Maurice Xuereb	8
Dr Robert Tufigno	8
Mr Franco Azzopardi	8

PRINCIPLE FIVE: BOARD MEETINGS

Meetings of the Board are held as frequently as necessary and are notified by the Company Secretary with appropriate notice before the meeting. Each agenda for the forthcoming meeting is accompanied by such papers and documents as are necessary to make directors informed of the issues to be discussed and in particular the decisions they are expected to take. Meetings may also include presentations by management, whilst other information and documentation is made available for perusal by the directors, at their request. After each Board meeting and before the next, minutes that faithfully record attendance and decisions are circulated to all directors. Members of senior management attend meetings at the request of the Board, as and when necessary.

The Board meetings were attended as follows:

	Meetings held: 6 Attended
Executive Director	
Mr Radi Abd El Haj (Chief Executive Officer)	6
Non-executive Directors	
Mr Mario Schembri (Chairman)	6
Mr Maurice Xuereb	6
Dr Robert Tufigno	6
Mr Franco Azzopardi	6
Mr Christopher Wood	4
Mr John Elkins	1 * (out of 1)

* Mr Elkins was appointed on 17th August 2015

Dr Ivan Gatt occupies the position of Company Secretary.

PRINCIPLE SIX: INFORMATION AND PROFESSIONAL DEVELOPMENT

The Chief Executive Officer is appointed by the Board and enjoys the full confidence of the Board. The Chief Executive Officer, although responsible for the recruitment and selection of senior management, consults with the Remuneration Committee and the Board on the appointment of, and on a succession plan for senior management.

As part of the Company's succession planning, the Board implements appropriate schemes to recruit, motivate and retain highly qualified individuals by creating the right environment and opportunities to move forward within the organisation.

On the appointment of a new director, he is provided with briefings by the Chief Executive Officer and the other Chief Officers on the activities of their respective business area. Ongoing-training of directors, management and employees is seen as very important.

The directors have access to the advice and services of the Company Secretary and supporting legal advice and are entitled, as members of the Board, to take independent professional advice on any matter relating to their duties, at the Company's expense.

The directors are fully aware of their responsibility to act always in the best interests of the Company and its shareholders as a whole irrespective of whoever appointed them to the Board.

PRINCIPLE SEVEN: EVALUATION OF THE BOARD

During the year under review, the Board undertook an evaluation of its own performance. The Board appointed a sub-committee, comprised of Dr Robert Tufigno and Franco Azzopardi to carry out the performance evaluation. The evaluation exercise was conducted through a Board effectiveness questionnaire. The results were communicated to the Chairman and then discussed at board level and there were no material changes in the Company's governance structures and organisation to report.

PRINCIPLE EIGHT: COMMITTEES

The Remuneration Committee is dealt with under a separate section in the Annual Report entitled "Remuneration Report" which can be found on pages 32 to 33. This section also includes a "Remuneration Statement" which deals with the remuneration of directors and senior management.

PRINCIPLE NINE AND TEN: RELATIONS WITH SHAREHOLDERS, WITH MARKET, AND INSTITUTIONAL SHAREHOLDERS

The Company is highly committed to having an open and communicative relationship with its shareholders and investors. At the Company's Annual General Meeting (AGM), the Board ensures that information is communicated to the shareholders in a transparent and accountable manner. The ordinary business at the AGM is to consider the financial statements of the Company, the directors' and auditors' report for the period, to approve any dividend recommendation by the directors, to elect the directors and to appoint the auditors. The Chairman ensures that all directors of the Board who include the chairmen of the Audit and Remuneration Committees are available at the AGM in order to answer questions.

The Board also considers the annual report to be an effective document which, in addition to statutory disclosures, contains detailed information about the Company and its performance. At the time of the AGM or whenever there are any significant events affecting the Company, meetings are held with institutional investors, financial intermediaries and stockbrokers.

The Board recognises the importance of providing the market with regular, timely, accurate, comprehensive and comparable information in sufficient detail to enable investors to make informed decisions. Periodic Company announcements are issued in accordance with the Listing Rules to maintain a fair and informed market in the Company's equity securities. The Board discharges its obligations under the Memorandum and Articles of Association, legislation, rules and regulations by having in place formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in this regard. These procedures are incorporated in an Internal Code of Dealing which is drawn up in accordance with the requirements of the Listing Rules and which applies to all directors and key employees of the Company.

The Board believes that shareholders should have an opportunity to send communications to the Board. Any communication from a shareholder to the Board generally or a particular director should be in writing, signed, contain the number of shares held in the sender's name and should be delivered to the attention of the Company Secretary at the principal offices of the Company.

Any two Members of the Company holding at least five per cent (5%) of the shares conferring a right to attend and vote at general meetings of the Company, may convene an extraordinary general meeting in accordance with the provisions of the Articles of Association.

The Company's presence is also on the worldwide web through its website at www.rs2.com, which contains information and news about the Company, its products, developments and activities, as well as an investors' section.

PRINCIPLE ELEVEN: CONFLICTS OF INTEREST

The directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest, irrespective of whoever appointed them to the Board.

The Board has approved an Internal Code of Dealing that details the obligations of the directors, as well as those of senior management and other individuals having access to sensitive information, on dealings in the equity of the Company within the parameters of the law and the Principles.

Each director has declared his interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest.

In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a director to the other members of the Board, who then (also possibly through a referral to the Audit Committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the director's duties, the conflicted director is required to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted director.

PRINCIPLE TWELVE: CORPORATE SOCIAL RESPONSIBILITY

The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (CSR). It is therefore committed to embark on initiatives which support the community, the environment, as well as sports and the arts.

The Company recognises the importance of good CSR principles in its dealings with its employees. In this regard, it actively encourages open communication, teamwork, training and personal development, whilst creating opportunities based on performance, creativity and initiative. The Company is committed towards social investment and the quality of life of its work force and their families, and of the local community in which it operates.

PART 2: NON COMPLIANCE WITH THE CODE

PRINCIPLE TWO: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision 2.3 states that the Chairman should be independent. Mr Mario Schembri, who currently holds the position of Chairman, cannot be deemed independent due to his involvement in the Company.

PRINCIPLE FOUR: THE RESPONSIBILITIES OF THE BOARD

Principle 4.2.7: The Code recommends the development of a succession policy for the future composition of the Board of Directors. The Company does not consider this principle to be applicable to it on the basis that appointment of directors is a matter which is reserved exclusively to the Company's shareholders (except as specified herein).

PRINCIPLE EIGHT B: NOMINATION COMMITTEE

The Memorandum and Articles of Association of the Company regulates the appointment of directors. Article 55.1 of the Articles of Association provides that a member holding not less than 0.5% of the issued share capital of the Company having voting rights or a number of members who in the aggregate hold not less than 0.5% of the issued share capital of the Company having voting rights shall be entitled to nominate fit and proper persons for appointment as directors of the Company. In addition, the directors themselves or a committee appointed for the purpose by the Board may make recommendations and nominations to the shareholders for the appointment of directors at the next annual general meeting.

Within this context, the Board believes that the setting up of a Nomination Committee is currently not suited to the Company since it will not be able to undertake satisfactorily its full functions and responsibilities as envisaged by the spirit of the Code. Notwithstanding this, the Board will retain under review the issue relating to the setting up of a Nomination Committee.

PRINCIPLE NINE (CODE PROVISION 9.3): RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET

The Company firmly believes that shareholder participation is an essential precondition for effective corporate governance.

The Company has fully implemented the Shareholders Rights Directive (Directive 2007/36/EC) as transposed in Maltese Law and to this regard has introduced a number of measures aimed at facilitating the exercise of shareholders' rights and protecting the shareholders' interests.

The measures currently available for shareholders notably the right to put items on the agenda of the annual general meeting and to table draft resolutions and the right to ask questions, provide the necessary safeguards for the protection of the shareholders' interests. To this regard, the Company does not believe that the current corporate structure requires it to introduce (a) procedures to resolve conflicts between minority shareholders and controlling shareholders and/or (b) the possibility for minority shareholders to formally present an issue to the Board.

MARIO SCHEMBRI
CHAIRMAN
28 April 2016

RADI ABD EL HAJ
DIRECTOR

TERMS OF REFERENCE AND MEMBERSHIP

The remit of the Remuneration Committee (the "Committee") is set out in the Terms of Reference adopted by the Board of Directors. The Committee is composed of Dr Robert Tufigno (Chairman), Mr Maurice Xuereb, Mr Franco Azzopardi and Mr Mario Schembri. The Chief Executive Officer is invited to attend meetings of the Committee where appropriate.

MEETINGS

The Committee held 2 meetings during the period under review. The Committee determined and/or made recommendations to the Board on the following matters:

Structure of CEO, management and directors' salaries for financial years 2015 and 2016.

	Meetings held: 2 Attended
Dr Robert Tufigno (Chairman)	2
Mr Maurice Xuereb	2
Mr Franco Azzopardi	2
Mr Mario Schembri^	0

^ Excused due to the nature of the meeting

REMUNERATION STATEMENT

REMUNERATION POLICY - DIRECTORS

The determination of the remuneration arrangements for Board members is determined by the Committee. The Remuneration Committee is primarily responsible for devising appropriate packages needed to attract, retain and motivate executive directors with the right qualities and skills for the proper management of the Company and for ensuring compliance with the relevant provisions and regulations of good corporate governance on remuneration and related matters.

REMUNERATION STATEMENT – SENIOR MANAGEMENT

The Committee also makes recommendations on the remuneration of senior management. In making such recommendations, it considers that members of the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. There have been no significant changes in the Company's remuneration policy during the financial year under review and no significant changes are intended to be effected during 2016.

In addition, the Committee is responsible for authorising all remuneration arrangements involving share options. During the year under review, no share options were allocated. There were 19,642 share options outstanding at 31 December 2015.

In the case of the CEO and the Chief Officers, the Committee is of the view that the link between remuneration and performance is reasonable and appropriate.

Non-cash benefits to which CEO and Chief Officers are entitled are the use of a company car, rental of residential property and health insurance. The death-in-service benefit also forms part of the contract of employment of senior management personnel on the same terms applicable to all other Company employees.

The Company has agreements with employees holding senior management positions providing for compensation upon termination based on the then applicable annual salary.

CODE PROVISION 8.A.5

DIRECTORS

For the financial period under review, the aggregate remuneration of the directors of the Group and the Company was as follows:

Fixed Remuneration	€ 82,637
Variable Remuneration	€ 200,000
Fixed Remuneration as full time employees of the Group	€ 538,895
Others	€ 25,930

SENIOR MANAGEMENT PERSONNEL

For the financial period under review, the aggregate remuneration of the senior management personnel of the Group and the Company, other than those that serve as directors was as follows:

Fixed Remuneration	€ 467,401
Variable Remuneration	€ 95,000
Share Options	Nil
Others	Nil

DR ROBERT TUFIGNO
CHAIRMAN, REMUNERATION COMMITTEE

28 April 2016

STATEMENT OF THE DIRECTORS PURSUANT TO LISTING RULE 5.55.2

For the Year Ended 31 December 2015

We, the undersigned declare that to the best of our knowledge, the financial statements set out on pages 37 to 94 are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that the Directors' Report includes a fair view of the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 28 April 2016 by:

MARIO SCHEMBRI
CHAIRMAN

RADI ABD EL HAJ
DIRECTOR

COMPANY INFORMATION

For the Year Ended 31 December 2015

DIRECTORS	Mr Mario Schembri (Chairman) Mr Radi Abd El Haj (CEO) Dr Robert Tufigno Mr Maurice Xuereb Mr Franco Azzopardi Mr Christopher Wood Mr John Elkins (appointed on 17 August 2015)
COMPANY SECRETARY	Dr Ivan Gatt
REGISTERED OFFICE	RS2 Buildings Fort Road, Mosta MST 1859 Malta
COUNTRY OF INCORPORATION	Malta
COMPANY REGISTRATION NUMBER	C 25829
AUDITORS	KPMG Portico Building Marina Street Pietà PTA 9044 Malta
LEGAL ADVISERS	Gatt Tufigno Gauci Advocates 66, Old Bakery Street Valletta VLT 1454 Malta

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors of RS2 Software p.l.c. (the "Company") to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Act.

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management, are responsible to ensure that the Group establishes and maintains internal control to provide reasonable assurance with regards to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Group's business. This responsibility includes establishing and maintaining controls pertaining to the Group's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors on 28 April 2016 by:

MARIO SCHEMBRI
CHAIRMAN

RADI ABD EL HAJ
DIRECTOR

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		THE GROUP		THE COMPANY	
		2015	2014	2015	2014
	Note	€	€	€	€
Assets					
Property, plant and equipment	13	**9,059,244**	8,081,423	**8,834,473**	7,816,089
Intangible assets	14	**6,901,911**	6,961,734	**5,461,335**	5,669,953
Investments in subsidiaries	15	**-**	-	**2,730,104**	1,148,774
Other investment	16	**131,785**	131,785	**131,785**	131,785
Loans and receivables from related parties	17	**-**	32,087	**2,185,830**	3,204,963
Accrued income	18	**354,000**	1,440,750	**2,061,205**	3,527,483
Trade and other receivables	17	**-**	764,731	**-**	764,731
Total non-current assets		**16,446,940**	17,412,510	**21,404,732**	22,263,778
Trade and other receivables	17	**3,008,042**	4,167,186	**2,807,063**	4,100,640
Loans and receivables from related parties	17	**810,422**	868,045	**810,422**	868,045
Prepayments		**511,788**	347,781	**436,805**	297,453
Accrued income	18	**7,219,601**	4,844,414	**7,634,132**	5,193,985
Cash at bank and in hand	19	**7,193,681**	4,520,446	**6,634,403**	3,731,903
Total current assets		**18,743,534**	14,747,872	**18,322,825**	14,192,026
Total assets		**35,190,474**	32,160,382	**39,727,557**	36,455,804

The Notes on pages 46 to 94 are an integral part of these financial statements

Approved by the Board of Directors on 28 April 2016 and signed on its behalf by:

MARIO SCHEMBRI
CHAIRMAN

RADI ABD EL HAJ
DIRECTOR

STATEMENTS OF FINANCIAL POSITION
(CONTINUED)

As at 31 December 2015

	Note	THE GROUP 2015 €	THE GROUP 2014 €	THE COMPANY 2015 €	THE COMPANY 2014 €
Equity					
Share capital	20	**8,999,991**	8,999,991	**8,999,991**	8,999,991
Reserves	20	**1,529,262**	1,572,030	**1,413,739**	1,512,786
Retained earnings	20	**15,323,249**	12,357,823	**19,426,460**	16,287,701
Total equity attributable to equity holders of the Company		**25,852,502**	22,929,844	**29,840,190**	26,800,478
Non-controlling interest		**(8,674)**	10,940	**-**	-
Total equity		**25,843,828**	22,940,784	**29,840,190**	26,800,478
Liabilities					
Bank borrowings	22	**2,465,781**	2,710,067	**2,465,781**	2,710,067
Deferred tax liability	23	**1,302,005**	1,134,666	**1,956,799**	1,694,234
Derivatives	22	**119,187**	159,749	**119,187**	159,749
Total non-current liabilities		**3,886,973**	4,004,482	**4,541,767**	4,564,050
Bank borrowings	22	**978,850**	725,846	**978,850**	725,846
Trade and other payables	24	**1,122,918**	1,160,738	**1,081,768**	1,073,272
Current tax payable		**1,436,346**	1,355,350	**1,436,346**	1,355,350
Accruals	25	**587,456**	547,332	**546,052**	536,010
Deferred income	25	**1,334,103**	1,425,850	**1,302,584**	1,400,798
Total current liabilities		**5,459,673**	5,215,116	**5,345,600**	5,091,276
Total liabilities		**9,346,646**	9,219,598	**9,887,367**	9,655,326
Total equity and liabilities		**35,190,474**	32,160,382	**39,727,557**	36,455,804

The Notes on pages 46 to 94 are an integral part of these financial statements

Approved by the Board of Directors on 28 April 2016 and signed on its behalf by:

MARIO SCHEMBRI
CHAIRMAN

RADI ABD EL HAJ
DIRECTOR

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

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 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
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 year								
Profit for the year	**-**	**-**	**-**	**-**	**4,866,357**	**4,866,357**	**(9,386)**	**4,856,971**
Other comprehensive income								
Foreign currency translation differences	**-**	**-**	**56,279**	**-**	**-**	**56,279**	**(10,228)**	**46,051**
Total other comprehensive income for the year	**-**	**-**	**56,279**	**-**	**-**	**56,279**	**(10,228)**	**46,051**
Total comprehensive income for the year	**-**	**-**	**56,279**	**-**	**4,866,357**	**4,922,636**	**(19,614)**	**4,903,022**
Transactions with owners of the Company								
Dividend to equity holders	**-**	**-**	**-**	**-**	**(1,999,978)**	**(1,999,978)**	**-**	**(1,999,978)**
Share options exercised	**-**	**-**	**-**	**(99,047)**	**99,047**	**-**	**-**	**-**
Balance at 31 December 2015	**8,999,991**	**1,292,743**	**115,523**	**120,996**	**15,323,249**	**25,852,502**	**(8,674)**	**25,843,828**

The Notes on pages 46 to 94 are an integral part of these financial statements

THE COMPANY

	Note	Share capital €	Share premium €	Share option reserve €	Retained earnings €	Total €
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
Balance at 1 January 2015		**8,999,991**	**1,292,743**	**220,043**	**16,287,701**	**26,800,478**
Comprehensive income for the year						
Profit for the year		**-**	**-**	**-**	**4,957,940**	**4,957,940**
Total comprehensive income for the year		**-**	**-**	**-**	**4,957,940**	**4,957,940**
Transactions recorded directly in equity						
Equity portion of financial asset		**-**	**-**	**-**	**113,267**	**113,267**
Discount unwind	11	**-**	**-**	**-**	**(31,517)**	**(31,517)**
	15	**-**	**-**	**-**	**81,750**	**81,750**
Transactions with owners of the Company						
Dividend to equity holders		**-**	**-**	**-**	**(1,999,978)**	**(1,999,978)**
Share options excercised		**-**	**-**	**(99,047)**	**99,047**	**-**
Balance at 31 December 2015		**8,999,991**	**1,292,743**	**120,996**	**19,426,460**	**29,840,190**

The Notes on pages 46 to 94 are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	Note	THE GROUP 2015 €	THE GROUP 2014 €	THE COMPANY 2015 €	THE COMPANY 2014 €
Continuing Operations					
Revenue	8	**19,437,614**	15,240,925	**18,005,849**	14,461,120
Cost of sales		**(10,049,062)**	(8,394,080)	**(8,770,299)**	(7,326,744)
Gross profit		**9,388,552**	6,846,845	**9,235,550**	7,134,376
Other income	9	**622,804**	730,093	**622,865**	730,093
Marketing and promotional expenses		**(552,551)**	(328,617)	**(549,495)**	(285,294)
Administrative expenses		**(2,532,283)**	(2,038,147)	**(2,277,253)**	(1,723,476)
Capitalised development costs	14	**860,844**	388,829	**860,844**	388,829
Other expenses	9	**(1,196,243)**	(986,388)	**(1,196,243)**	(731,546)
Results from operating activities		**6,591,123**	4,612,615	**6,696,268**	5,512,982
Finance income	11	**84,350**	90,569	**174,573**	146,210
Finance costs	11	**(211,395)**	(512,747)	**(210,680)**	(626,012)
Net finance costs		**(127,045)**	(422,178)	**(36,107)**	(479,802)
Profit before income tax	9	**6,464,078**	4,190,437	**6,660,161**	5,033,180
Income tax expense	12	**(1,607,107)**	(1,413,197)	**(1,702,221)**	(1,703,575)
Profit for the year	9	**4,856,971**	2,777,240	**4,957,940**	3,329,605
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences on foreign operations		**46,051**	43,850	**-**	-
Total comprehensive income		**4,903,022**	2,821,090	**4,957,940**	3,329,605
Profit attributable to:					
Owners of the Company		**4,866,357**	2,875,403	**4,957,940**	3,329,605
Non-controlling interest		**(9,386)**	(98,163)	**-**	-
Profit for the year		**4,856,971**	2,777,240	**4,957,940**	3,329,605
Total comprehensive income attributable to:					
Owners of the Company		**4,922,636**	2,935,010	**4,957,940**	3,329,605
Non-controlling interest		**(19,614)**	(113,920)	**-**	-
Total comprehensive income for the year		**4,903,022**	2,821,090	**4,957,940**	3,329,605
Earnings per share	21	**€ 0.054**	€ 0.032	**€ 0.055**	€ 0.037

The Notes on pages 46 to 94 are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2015

		THE GROUP		THE COMPANY	
		2015	2014	2015	2014
	Note	€	€	€	€
Cash flows from operating activities					
Profit for the year		**4,856,971**	2,777,240	**4,957,940**	3,329,605
Adjustments for:					
Depreciation	13	**617,127**	496,055	**452,979**	362,817
Amortisation of intangible assets	14	**1,069,462**	1,020,831	**1,069,462**	1,020,831
Capitalised development costs	14	**(860,844)**	(388,829)	**(860,844)**	(388,829)
Provision for impairment loss on receivables	9	**(1,169,280)**	643,102	**(1,169,280)**	643,102
Bad debts written off	9	**2,365,523**	-	**2,365,523**	-
Impairment of obsolete assets	9	**-**	226,495	**-**	-
Interest payable	11	**151,997**	169,932	**151,997**	169,306
Interest receivable	11	**(13,551)**	(14,878)	**(72,257)**	(71,490)
Discounting on trade receivables and accrued income	11	**-**	331,941	**-**	445,208
Unwinding of discount on accrued income	11	**(30,237)**	-	**(61,754)**	-
Impairment loss on other investment	9	**-**	87,193	**-**	87,193
Income tax	12	**1,607,107**	1,413,197	**1,702,221**	1,703,575
Provision for exchange fluctuations		**(196,789)**	(698,405)	**(196,789)**	(698,405)
Change in fair value of cash flow hedge		**(40,562)**	10,486	**(40,562)**	10,486
		8,356,924	6,074,360	**8,298,636**	6,613,399
Changes in trade and other receivables		**(435,723)**	(2,417,051)	**(95,514)**	(2,590,504)
Changes in trade and other payables		**(183,417)**	(281,378)	**(173,050)**	(590,647)
Changes in parent company's balance		**-**	95,679	**-**	95,679
Cash generated from operating activities		**7,737,784**	3,471,610	**8,030,072**	3,527,927
Interest paid		**(149,749)**	(171,832)	**(149,749)**	(171,832)
Interest received		**5,451**	16,544	**53,676**	26,500
Income taxes paid		**(1,358,772)**	(12,481)	**(1,358,661)**	(12,481)
Net cash from operating activities		**6,234,714**	3,303,841	**6,575,338**	3,370,114
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(1,510,230)**	(620,660)	**(1,386,365)**	(599,898)
Investment in subsidiary	15	**-**	(389,832)	**(1,499,580)**	(389,832)
Advances to subsidiaries		**-**	-	**(608,901)**	(631,046)
Repayment of advances to subsidiaries		**-**	-	**1,873,257**	140,190
Repayment of advances to other related parties		**-**	262,357	**-**	262,357
Net cash used in investing activities		**(1,510,230)**	(748,135)	**(1,621,589)**	(1,218,229)

The Notes on pages 46 to 94 are an integral part of these financial statements

		THE GROUP		THE COMPANY	
		2015	2014	2015	2014
	Note	€	€	€	€
Cash flows from financing activities					
Dividends paid		**(1,996,827)**	(997,510)	**(1,996,827)**	(997,510)
Proceeds from bank borrowings		**874,809**	35,505	**874,809**	35,505
Repayments of bank borrowings		**(866,091)**	(776,010)	**(866,091)**	(776,010)
Advances by non-controlling interest		**-**	6,317	**-**	-
Net cash used in financing activities		**(1,988,109)**	(1,731,698)	**(1,988,109)**	(1,738,015)
Net increase in cash and cash equivalents		**2,736,375**	824,008	**2,965,640**	413,870
Cash and cash equivalents at 1 January		**4,512,037**	3,634,966	**3,723,494**	3,255,891
Effect of fair value movements		**-**	(670)	**-**	-
Effect of exchange rate fluctuations on cash held		**(54,731)**	53,857	**(54,731)**	53,857
Movement in cash pledged as guarantee		**-**	(124)	**-**	(124)
Cash and cash equivalents at 31 December	19	**7,193,681**	4,512,037	**6,634,403**	3,723,494

The Notes on pages 46 to 94 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

RS2 Software p.l.c. (the "Company") is a public limited liability company domiciled and incorporated in Malta. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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.

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position;

- available-for-sale financial asset
- derivative financial instruments

The methods used to measure fair values are discussed further in note 5.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro, which is the Company's functional currency.

2.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 2.4.1 - impairment reviews
Note 14.4 - impairment testing for cash-generating unit containing goodwill
Note 26.1.2 - impairment losses on receivables

2 BASIS OF PREPARATION (CONTINUED)

2.4 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

2.4.1 IMPAIRMENT REVIEWS

The determination of the recoverable amount involves significant management judgement. In most cases this involves an assessment as to whether the carrying value of assets can be supported by the present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, as noted below.

With respect to goodwill, IFRS require management to undertake a test for impairment at least annually and at each reporting period if there is an indication that the asset may be impaired. The Group currently undertakes an annual impairment test covering goodwill and also reviews other certain financial and non-financial assets at least annually to consider whether a full impairment review is required.

There are a number of assumptions and estimates involved in calculating the present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit or loss before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- uncertainty of future technological developments;
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

The selection of assumptions and estimates by management involves significant judgement and small changes in these assumptions could result in the determination of a recoverable amount which is materially different to the results obtained using the variables selected by the Company. This is particularly so in respect to the discount rate and growth rate assumptions used in the cash flow projections. Changes in the assumptions used could significantly affect the Group's impairment evaluation and hence, results.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

3.1 BASIS OF CONSOLIDATION

3.1.1 SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to direct the relevant activities that significantly affect the subsidiary's returns. In assessing control, there should also be exposure, or rights, to variable returns from its involvement with the Group and the ability of the Group to use its powers over the subsidiary to affect the amount of the Group's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (CONTINUED)

3.1.2 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 FOREIGN CURRENCY

3.2.1 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2.2 FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve. However, if the operation is a non-wholly owned subsidiary then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 FINANCIAL INSTRUMENTS

3.3.1 NON-DERIVATIVE FINANCIAL ASSETS

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables, available-for-sale financial assets and cash and cash equivalents.

3.3.1.1 LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

3.3.1.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, whenever this is reliably measured, and changes therein, other than impairment losses (see note 3.8.2) and foreign currency differences on available-for-sale equity instruments (see note 3.2.1), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 FINANCIAL INSTRUMENTS (CONTINUED)

3.3.2 NON-DERIVATIVE FINANCIAL LIABILITIES

The Group initially recognises all financial liabilities, except for debt securities issued and subordinated liabilities, on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.3.3 DERIVATIVE FINANCIAL INSTRUMENTS, INCLUDING HEDGE ACCOUNTING

The Group holds a derivative financial instrument to hedge its interest rate risk exposures.

On initial designation of the derivative as a hedge instrument, the Group formally documents the relationship between the hedge instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged item attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%.

Derivatives are recognised initially at fair value; attributable transactions are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

3.3.3.1 CASH FLOW HEDGES

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised,or the designation is revoked, then hedge accounting is discontinued prospectively.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 FINANCIAL INSTRUMENTS (CONTINUED)

3.3.4 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.4 PROPERTY, PLANT AND EQUIPMENT

3.4.1 RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Borrowing costs related to the acquisition and construction of qualifying assets are capitalised as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

3.4.2 SUBSEQUENT COSTS

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.3 DEPRECIATION

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Buildings constructed on leased land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership at the end of the lease term. Land is not depreciated.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.4.3 DEPRECIATION (CONTINUED)

The estimated useful lives for the current and comparative period are as follows:

• buildings	25 - 50 years
• electrical and plumbing installation	15 years
• furniture	10 years
• fixtures	10 years
• lifts	10 years
• other machinery	10 years
• air-conditioning	6 years
• motor vehicles	5 years
• computer hardware	4 years
• computer software	4 years
• office equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end, and adjusted if appropriate. Items of property and equipment are depreciated from the date they are available for use.

3.5 INTANGIBLE ASSETS

3.5.1 RE-ACQUIRED RIGHTS

When as part of a business combination, the Group re-acquires a right that it had previously granted to the acquiree to use one or more of its recognised or unrecognised assets, an intangible asset is recognised separately from goodwill. The value of the re-acquired right is measured on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals in determining its fair value. A settlement gain or loss is recognised by the Group when the terms of the contract giving rise to a re-acquired right are favourable or unfavourable relative to the terms of current market transactions for the same or similar items.

3.5.2 GOODWILL

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

3.5.3 INTERNALLY GENERATED COMPUTER SOFTWARE DEVELOPMENT

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 INTANGIBLE ASSETS (CONTINUED)

3.5.3 INTERNALLY GENERATED COMPUTER SOFTWARE DEVELOPMENT (CONTINUED)

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

3.5.4 SOFTWARE RIGHTS

Software rights that are identifiable or arise from contractual or other legal rights are recognised as intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Software rights are initially measured at cost. Subsequent to initial recognition, software rights are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

3.5.5 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.5.6 AMORTISATION

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected patterns of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

• internally generated computer software development	15 years
• software rights	15 years
• other computer software	4 - 15 years

The amortisation method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate.

3.6 LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets from operating leases are not recognised in the Group's statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are shown in the statement of financial position of the Company at cost less any impairment losses.

Loans advanced by the Company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

3.8 IMPAIRMENT

3.8.1 INVESTMENTS IN SUBSIDIAIRES

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

3.8.2 NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 IMPAIRMENT (CONTINUED)

3.8.2 NON-DERIVATIVE FINANCIAL ASSETS (CONTINUED)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occuring after the impairment was recognised which causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured is impaired if, there is objective evidence that an impairment loss has been incurred. An impairment loss is recognised in profit or loss and measured as the difference between the carrying amount of the unquoted equity investment and the present value of estimated future cash flows discounted at the market rate of return for a similar financial asset. Such impairment losses are not reversed.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment losses attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.8.3 NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its CGU ("cash-generating unit") exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 IMPAIRMENT (CONTINUED)

3.8.3 NON-FINANCIAL ASSETS (CONTINUED)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of CGU) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Group contributes towards the respective State pension defined contribution plan in accordance with local legislation, and to which, it has no commitment beyond the payment of fixed contributions. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

3.10 SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related services and non-market performance conditions at the vesting date.

3.11 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

3.12 WARRANTIES

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 REVENUE

3.13.1 LICENCES

Licence fees arise from software licence agreements where the Group grants non-exclusive, perpetual licences to use specific BankWORKS® modules, against a one-time licence fee. Revenue from licensing of BankWORKS® is measured at the consideration received or receivable.

Licence fees also arise from software licence agreements where the Group grants non-exclusive, time-based licences to use specific BankWORKS® modules, against licence fees payable over time. Where licence agreements are time-based, revenue from such licences is recognised rateably over the term of the agreement.

Revenue is generally recognised when the software is delivered, persuasive evidence exists usually in the form of a software licence agreement, it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Delivery of the software is considered to have occurred when the customer either takes possession of the software, or has the ability to do so.

For subscription licence arrangements, also referred to as 'Comprehensive Packages', where the Company sells to customers the rights to BankWORKS® modules including also unspecified products as well as unspecified upgrades and enhancements during a specified term, the licence revenue is recognised rateably over the term of the arrangement. The persuasive evidence of these arrangements is in the form of written agreements (see also accounting policy 3.13.4).

3.13.2 MAINTENANCE

Maintenance consists of upgrades, enhancements, corrections and on-going support for BankWORKS®, as well as updates mandated by international card organisations. Maintenance is agreed to in the form of agreements and billed quarterly or annually in advance. Revenue from maintenance is recognised on a pro-rata basis with reference to the period to which it relates.

3.13.3 SERVICES

Professional services are provided to assist customers with the initial implementation of BankWORKS® and include other services requested by customers. Such services may include system implementation and integration, customisations, configurations, certification with international card organisations, project management, change requests, remote and on-site support, and user training.

Revenue from services rendered is recognised in proportion to the stage of completion of the agreed services at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.13.4 COMPREHENSIVE PACKAGES

Comprehensive package agreements are contracted for a fixed term and grant to customers the right to use BankWORKS® modules, including unspecified modules that may be made available, initial implementation services, as well as unspecified upgrades and enhancements during the term of the agreement.

Revenue from comprehensive package agreements is recognised rateably over the term of the agreement unless revenue arising from separately identifiable deliverables can be measured reliably to reflect the substance of the transactions. Where separable deliverables can be identified, revenue is recognised upon satisfaction of the criteria for recognition of these deliverables and presented in accordance with the respective categories as described in accounting policies 3.13.1 to 3.13.3.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.15 FINANCE INCOME AND COSTS

Finance income comprises interest income on bank balances, loans and receivables, movements in provisions for non-operating exchange gains, finance income arising on measuring payables at amortised cost using the effective interest rate method and gains on hedging instruments recognised in the profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, interest on late payments, movements in provisions for non-operating exchange losses, finance cost arising on measuring receivables at amortised cost using the effective interest rate method and loss on hedging instruments recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition and construction of qualifying assets are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

3.16 INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 INCOME TAX (CONTINUED)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.17 EARNINGS PER SHARE

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.18 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components. Operating results of all operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

4.1 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. As opposed to IAS 18 that specifically address revenue from (i) sale of goods, (ii) rendering of services and (iii) interest, royalties and dividends, IFRS 15 contains a single model that will apply to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment.

In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's Consolidated Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

4.1 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

This standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group is currently assessing the impact of adopting IFRS 15 on the Consolidated Financial Statements and will determine the adoption date as well as the transition method. A high level assessment of the standard and the different categories of revenue generated by the Group shows that any effect on the financial statements of the Group, will be limited to the recognition of revenue from licensing arrangements. No significant impact is expected with respect to recognition of revenue arising from service fees, maintenance fees and processing fees.

5 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. When measuring the fair value of an asset or liability, the Group uses observable market data whenever sufficient data is available.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuations techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5.1 INTANGIBLE ASSETS

The fair value of rights of use of software acquired in a business combination is estimated by reference to the fair value established upon acquisition of these rights by the acquiree in 2008 and to the incremental benefits expected to be derived by the Group.

5.2 INVESTMENTS IN EQUITY AND DEBT SECURITIES

The fair value of quoted available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date, whenever this is reasonably measurable.

5.3 TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is also determined for disclosure purposes.

5 DETERMINATION OF FAIR VALUES (CONTINUED)

5.4 NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5.5 DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of the interest rate swap is based on the banker's quote.

5.6 SHARE-BASED PAYMENT TRANSACTIONS

The fair value of employee share options is measured using the Binomial Option Pricing Model. Measurement inputs include the share price at measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility), the life of the instrument, expected dividends, and the risk-free interest rate (based on AAA-rated government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6 FINANCIAL RISK MANAGEMENT

6.1 OVERVIEW

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

6.2 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash held with financial institutions.

6.3.1 TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate have less of an influence on credit risk.

64% of the Group's revenue is attributable to sales transactions with two major customers (2014: 64% attributable to sales transactions with two major customers) as per note 7.4. The Group's revenue is mainly generated through sales transactions concluded with customers situated in Europe (2014: Europe).

The majority of the Group's customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are classified according to their credit characteristics, geographic location and ageing profile. Trade receivables relate to the Group's customers to whom services are rendered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

6.3.2 CASH AT BANK

The Group's cash is placed with quality financial institutions with credit ratings of AA- and BBB+, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the Group.

6.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations, which are associated with its financial liabilities that are settled by delivering cash or another financial asset, as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flow requirements on a regular basis and ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 MARKET RISK

Market risk is the risk that changes in market prices, namely foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

6.5.1 CURRENCY RISK

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the Euro (€). The currencies in which these transactions are primarily denominated is the USD and GBP.

The Group relies on natural hedges between inflows and outflows in currencies other than the Euro, and does not otherwise hedge against exchange gains or losses which may arise on the realisation of amounts receivable and settlement of amounts payable in foreign currencies.

6.5.2 INTEREST RATE RISK

The Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Lending Base Rate. The Group has entered into an interest rate swap for the purpose of hedging the risk of changes in cash flows related to interest payments on one of its facilities.

6.6 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

7 OPERATING SEGMENTS

The Group has two reportable segments, as described below, which represent the Group's business units. The business units offer different services and are managed separately because they require different operating and marketing strategies. For each of the business units, the Group's Board of Directors reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- **Licensing** – Licensing of the Group's BankWORKS® software to banks and service providers, including maintenance and enhanced services thereto.
- **Processing** – Processing of payment transactions utilising the Group's BankWORKS® software.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

7 OPERATING SEGMENTS (CONTINUED)

7.1 INFORMATION ABOUT REPORTABLE SEGMENTS

	LICENSING		PROCESSING		TOTAL	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
External revenues	**17,939,759**	13,985,895	**1,497,855**	1,255,030	**19,437,614**	15,240,925
Inter-segment revenues	**66,090**	475,225	**41,600**	-	**107,690**	475,225
Segment revenues	**18,005,849**	14,461,120	**1,539,455**	1,255,030	**19,545,304**	15,716,150
Finance income	**174,573**	146,210	**749**	114,240	**175,322**	260,450
Finance expense	**(210,680)**	(626,012)	**(97,212)**	(57,252)	**(307,892)**	(683,264)
Depreciation and amortisation	**(1,522,441)**	(1,383,648)	**(310,815)**	(279,905)	**(1,833,256)**	(1,663,553)
Movement in provision for impairment loss on receivables	**1,169,280**	(643,102)	**-**	-	**1,169,280**	(643,102)
Reportable segment profit/(loss) before income tax	**6,640,913**	5,033,180	**(329,028)**	(990,033)	**6,311,885**	4,043,147
Income tax (expense)/credit	**(1,702,221)**	(1,703,575)	**95,114**	290,378	**(1,607,107)**	(1,413,197)
Reportable segment assets	**39,728,332**	36,455,804	**5,131,944**	4,965,522	**44,860,276**	41,421,326
Capital expenditure	**1,471,363**	821,266	**123,061**	20,765	**1,594,424**	842,031
Reportable segment liabilities	**9,904,636**	9,655,326	**4,767,088**	5,892,141	**14,671,724**	15,547,467

7 OPERATING SEGMENTS (CONTINUED)

7.2 RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES, AND OTHER MATERIAL ITEMS

	2015	2014
	€	€
External revenues		
Total revenue for reportable segments	**19,545,304**	15,716,150
Elimination of inter-segment transactions	**(107,690)**	(475,225)
Consolidated revenue	**19,437,614**	15,240,925
Finance income		
Total finance income for reportable segments	**175,322**	260,450
Elimination of inter-segment transactions	**(90,972)**	(169,881)
Consolidated finance income	**84,350**	90,569
Finance expense		
Total finance expense for reportable segments	**307,892**	683,264
Elimination of inter-segment transactions	**(96,497)**	(170,517)
Consolidated finance expense	**211,395**	512,747
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	**1,833,256**	1,663,553
Elimination of inter-segment transactions	**(146,667)**	(146,667)
Consolidated depreciation and amortisation	**1,686,589**	1,516,886
Reportable segment profit before income tax		
Total reportable segment profit for reportable segments	**6,311,885**	4,043,147
Elimination of inter-segment transactions	**152,193**	147,290
Consolidated reportable segment profit	**6,464,078**	4,190,437
Assets		
Total assets for reportable segments	**44,860,276**	41,421,326
Elimination of inter-segment balances	**(9,669,802)**	(9,260,944)
Consolidated total assets	**35,190,474**	32,160,382
Liabilities		
Total liabilities for reportable segments	**14,671,724**	15,547,467
Elimination of inter-segment balances	**(5,325,078)**	(6,327,869)
Consolidated total liabilities	**9,346,646**	9,219,598

7 OPERATING SEGMENTS (CONTINUED)

7.3 GEOGRAPHICAL INFORMATION

In presenting information for the Group on the basis of geographical segments, revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	REVENUES	NON-CURRENT ASSETS
	€	€
31 December 2015		
Malta	**459,064**	**14,520,581**
UK and Ireland	**12,780,346**	**-**
Other countries	**6,198,204**	**1,440,574**
	19,437,614	**15,961,155**
31 December 2014		
Malta	163,093	13,751,092
UK and Ireland	9,939,878	-
Other countries	5,137,954	1,292,064
	15,240,925	15,043,156

Other countries comprise revenue based on geographical location of customers, which individually are immaterial and do not exceed 10% of total revenue.

7.4 MAJOR CUSTOMERS

For the year ended 31 December 2015, revenues from two (2014: two) major customers of the licensing segment amounted to €4,711,690 and €7,622,485 (2014: €5,893,204 and €3,823,618) of the Group's total revenues.

8 REVENUE

Revenue is stated after deduction of sales rebates and indirect taxes.

8.1 CATEGORY OF ACTIVITY

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Licence fees	**3,826,880**	3,606,871	**3,826,880**	3,606,871
Service fees	**12,056,708**	8,442,426	**10,657,138**	7,366,384
Maintenance fees	**2,281,829**	1,730,538	**2,249,634**	2,028,190
Comprehensive packages	**836,996**	1,033,992	**836,996**	1,033,992
Re-imbursement of expenses	**435,201**	427,098	**435,201**	425,683
	19,437,614	15,240,925	**18,005,849**	14,461,120

8.2 GEOGRAPHICAL MARKETS

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Europe	**18,221,525**	14,588,939	**16,789,760**	13,809,134
Middle East	**592,305**	636,986	**592,305**	636,986
Asia	**623,784**	15,000	**623,784**	15,000
	19,437,614	15,240,925	**18,005,849**	14,461,120

9 PROFIT BEFORE INCOME TAX

9.1 The Group's profit before income tax includes total fees charged by the auditors of the Company during 2015 for:

	€
Auditors' remuneration	**43,000**
Tax advisory services	**1,765**
Other non-audit services	**5,790**

The fee payable to the auditor of a subsidiary in relation to audit services for 2015 amounts to €5,000 (2014: €4,400).

9 PROFIT BEFORE INCOME TAX (CONTINUED)

9.2 OTHER INCOME

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Realised operating exchange gains	**333,622**	81,970	**333,683**	81,970
Unrealised operating exchange gains	**251,520**	644,548	**251,520**	644,548
Other income	**37,662**	3,575	**37,662**	3,575
	622,804	730,093	**622,865**	730,093

9.3 OTHER EXPENSES

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Movement in provision for impairment loss on trade receivables	**(1,169,280)**	643,102	**(1,169,280)**	643,102
Bad debts written off	**2,365,523**	-	**2,365,523**	-
Impairment of obsolete assets	**-**	226,495	**-**	-
Impairment loss on other investment	**-**	87,193	**-**	87,193
Other expenses	**-**	29,598	**-**	1,251
	1,196,243	986,388	**1,196,243**	731,546

10 PERSONNEL EXPENSES

10.1 Personnel expenses incurred by the Group and the Company during the year are analysed as follows:

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Directors' emoluments:				
Fees	**82,695**	77,000	**82,695**	77,000
Remuneration	**686,332**	580,736	**566,332**	550,736
Indemnity insurance	**12,155**	12,238	**12,155**	12,238
Fringe benefits	**52,563**	42,118	**52,563**	42,118
	833,745	712,092	**713,745**	682,092
Wages and salaries	**5,310,465**	4,073,973	**4,778,650**	3,729,090
Social security contributions	**348,453**	271,214	**333,784**	259,697
	6,492,663	5,057,279	**5,826,179**	4,670,879

10 PERSONNEL EXPENSES (CONTINUED)

10.2 The weekly average number of persons employed by the Group and the Company during the year were as follows:

	THE GROUP		THE COMPANY	
	2015 No.	2014 No.	2015 No.	2014 No.
Operating	**156**	120	**150**	114
Management and administration	**32**	24	**28**	21
	188	144	**178**	135

11 FINANCE INCOME AND COSTS

	THE GROUP		THE COMPANY	
	2015 €	2014 €	2015 €	2014 €
Bank interest income	**5,434**	5,717	**4,685**	4,742
Interest on loans and receivables	**8,117**	10,132	**67,572**	66,748
Non-operating unrealised exchange gain	**-**	74,720	**-**	74,720
Discount unwind of trade receivables and accrued income	**30,237**	-	**61,754**	-
Change in fair value of interest rate swap	**40,562**	-	**40,562**	-
Finance income	**84,350**	90,569	**174,573**	146,210
Bank interest expense	**(151,997)**	(169,305)	**(151,997)**	(169,307)
Interest on late payment	**(4,667)**	(1,015)	**(3,952)**	(1,011)
Non-operating unrealised exchange loss	**(54,731)**	-	**(54,731)**	-
Change in fair value of interest rate swap	**-**	(10,486)	**-**	(10,486)
Discounting on trade receivables and accrued income	**-**	(331,941)	**-**	(445,208)
Finance costs	**(211,395)**	(512,747)	**(210,680)**	(626,012)
Net finance costs	**(127,045)**	(422,178)	**(36,107)**	(479,802)

All the above items of finance income and cost are recognised in profit or loss.

12 INCOME TAX EXPENSE

12.1 RECOGNISED IN PROFIT OR LOSS

		THE GROUP		THE COMPANY	
		2015	2014	2015	2014
	Note	€	€	€	€
Current tax expense					
Current tax charge for the year		**(1,419,204)**	(1,347,729)	**(1,419,204)**	(1,347,729)
Tax withheld in foreign jurisdictions		**(2,615)**	(11,779)	**(2,615)**	(11,779)
Tax payable on interest received from related parties		**(17,142)**	(7,621)	**(17,142)**	(7,621)
Withholding tax on interest received		**(807)**	(857)	**(695)**	(711)
		(1,439,768)	(1,367,986)	**(1,439,656)**	(1,367,840)
Deferred tax expense					
Origination and reversal of temporary differences	23.3	**(167,339)**	(45,211)	**(262,565)**	(335,735)
Income tax expense		**(1,607,107)**	(1,413,197)	**(1,702,221)**	(1,703,575)

12.2 RECONCILIATION OF EFFECTIVE TAX RATE

The income tax expense for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Profit before tax	**6,464,078**	4,190,437	**6,660,161**	5,033,180
Income tax using the domestic income tax rate of 35%	**(2,262,427)**	(1,466,653)	**(2,331,056)**	(1,761,613)
Tax effect of:				
Non-taxable income	**55,507**	55,385	**55,507**	15,742
Non-deductible expenses	**(28,944)**	(297,136)	**(2,013)**	(201,164)
Different tax rates on bank interest income	**1,086**	1,142	**937**	947
Depreciation charges not deductible by way of capital allowances	**38,930**	(54,765)	**38,930**	(54,765)
Investment tax credit given by Business Promotion Act incentives enacted in Malta	**535,474**	297,278	**535,474**	297,278
Elimination of inter-company transaction	**53,267**	51,552	**-**	-
Income tax expense	**(1,607,107)**	(1,413,197)	**(1,702,221)**	(1,703,575)

The applicable rate represents the statutory local income tax rate of 35% under the Income Tax Act.

13 PROPERTY, PLANT AND EQUIPMENT

13.1 THE GROUP

	Land and buildings	Equipment, furniture and fittings	Motor vehicles	Total
	€	€	€	€
Cost				
Balance at 1 January 2014	6,362,960	2,853,263	73,881	9,290,104
Additions	238,474	496,688	106,869	842,031
Effects of movement in exchange rates	-	12,296	-	12,296
Balance at 31 December 2014	6,601,434	3,362,247	180,750	10,144,431
Balance at 1 January 2015	6,601,434	3,362,247	180,750	10,144,431
Additions	1,074,332	520,092	-	1,594,424
Effects of movement in exchange rates	-	11,838	-	11,838
Balance at 31 December 2015	7,675,766	3,894,177	180,750	11,750,693
Depreciation				
Balance at 1 January 2014	90,179	1,423,766	40,745	1,554,690
Depreciation for the year	50,072	416,721	29,263	496,056
Effects of movement in exchange rates	-	12,262	-	12,262
Balance at 31 December 2014	140,251	1,852,749	70,008	2,063,008
Balance at 1 January 2015	140,251	1,852,749	70,008	2,063,008
Depreciation for the year	95,734	485,240	36,153	617,127
Effects of movement in exchange rates	-	11,314	-	11,314
Balance at 31 December 2015	235,985	2,349,303	106,161	2,691,449
Carrying amounts				
At 1 January 2014	6,272,781	1,429,497	33,136	7,735,414
At 31 December 2014	6,461,183	1,509,498	110,742	8,081,423
At 31 December 2015	**7,439,781**	**1,544,874**	**74,589**	**9,059,244**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

13.2 THE COMPANY

	Land and buildings	Equipment, furniture and fittings	Motor vehicles	Total
	€	€	€	€
Cost				
Balance at 1 January 2014	6,362,962	2,250,442	73,881	8,687,285
Additions	238,473	475,924	106,869	821,266
Balance at 31 December 2014	6,601,435	2,726,366	180,750	9,508,551
Balance at 1 January 2015	6,601,435	2,726,366	180,750	9,508,551
Additions	1,074,332	397,031	-	1,471,363
Balance at 31 December 2015	7,675,767	3,123,397	180,750	10,979,914
Depreciation				
Balance at 1 January 2014	90,181	1,205,609	33,855	1,329,645
Depreciation for the year	50,071	276,593	36,153	362,817
Balance at 31 December 2014	140,252	1,482,202	70,008	1,692,462
Balance at 1 January 2015	140,252	1,482,202	70,008	1,692,462
Depreciation for the year	95,734	321,092	36,153	452,979
Balance at 31 December 2015	235,986	1,803,294	106,161	2,145,441
Carrying amounts				
At 1 January 2014	6,272,781	1,044,833	40,026	7,357,640
At 31 December 2014	6,461,183	1,244,164	110,742	7,816,089
At 31 December 2015	**7,439,781**	**1,320,103**	**74,589**	**8,834,473**

13.3 Borrowing costs capitalised for the Group and Company during the year ended 31 December 2015 amounted to €3,549. No borrowing costs were capitalised during the year ended 31 December 2014.

14 INTANGIBLE ASSETS

14.1 THE GROUP

	Goodwill	Internally generated computer software	Software rights	Other computer software	Total
	€	€	€	€	€
Cost					
Balance at 1 January 2014	540,104	12,085,160	3,000,000	815,310	16,440,574
Additions	-	388,829	-	-	388,829
Impairment	-	-	-	(226,495)	(226,495)
Effects of movement in exchange rates	73,401	-	-	89,461	162,862
Balance at 31 December 2014	613,505	12,473,989	3,000,000	678,276	16,765,770
Balance at 1 January 2015	613,505	12,473,989	3,000,000	678,276	16,765,770
Additions	-	860,844	-	-	860,844
Effects of movement in exchange rates	70,665	-	-	78,130	148,795
Balance at 31 December 2015	684,170	13,334,833	3,000,000	756,406	17,775,409
Amortisation					
Balance at 1 January 2014	-	8,358,205	425,000	-	8,783,205
Charge for the year	-	820,831	200,000	-	1,020,831
Balance at 31 December 2014	-	9,179,036	625,000	-	9,804,036
Balance at 1 January 2015	-	9,179,036	625,000	-	9,804,036
Charge for the year	-	869,462	200,000	-	1,069,462
Balance at 31 December 2015	-	10,048,498	825,000	-	10,873,498
Carrying amounts					
At 1 January 2014	540,104	3,726,955	2,575,000	815,310	7,657,369
At 31 December 2014	613,505	3,294,953	2,375,000	678,276	6,961,734
At 31 December 2015	**684,170**	**3,286,335**	**2,175,000**	**756,406**	**6,901,911**

14 INTANGIBLE ASSETS (CONTINUED)

14.2 THE COMPANY

	Internally generated computer software	Software rights	Total
	€	€	€
Cost			
Balance at 1 January 2014	12,085,160	3,000,000	15,085,160
Additions	388,829	-	388,829
Balance at 31 December 2014	12,473,989	3,000,000	15,473,989
Balance at 1 January 2015	12,473,989	3,000,000	15,473,989
Additions	860,844	-	860,844
Balance at 31 December 2015	13,334,833	3,000,000	16,334,833
Amortisation			
Balance at 1 January 2014	8,358,205	425,000	8,783,205
Amortisation for the year	820,831	200,000	1,020,831
Balance at 31 December 2014	9,179,036	625,000	9,804,036
Balance at 1 January 2015	9,179,036	625,000	9,804,036
Amortisation for the year	869,462	200,000	1,069,462
Balance at 31 December 2015	10,048,498	825,000	10,873,498
Carrying amounts			
At 1 January 2014	3,726,955	2,575,000	6,301,955
At 31 December 2014	3,294,953	2,375,000	5,669,953
At 31 December 2015	**3,286,335**	**2,175,000**	**5,461,335**

14.3 The amortisation of internally generated computer software and software rights is included in cost of sales.

14 INTANGIBLE ASSETS (CONTINUED)

14.4 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL

Goodwill arises from the acquisition of 26% of the issued share capital of Transworks LLC in 2009. During 2014, the Company acquired a further 38.2% shareholding in Transworks LLC for $500,000. For the purposes of impairment testing of goodwill arising on the acquisition of Transworks LLC, the recoverable amount of the related cash generating unit containing goodwill (hereinafter referred to 'Transworks'), was based on its value in use and was determined by discounting the projected future cash flows to be generated from Transworks. For this purpose management prepared projections for an explicit five year period 2016 – 2020 (2014: five year period 2015 - 2019) and applied growth rates for subsequent years.

The key assumptions used in the calculation of the value in use of Transworks are the projected level of operations, EBITDA margins and the discount rate used.

There are a number of assumptions and estimates involved in calculating the present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit or loss before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- uncertainty of future technological developments;
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

Cash flows beyond 2020 have been extrapolated using a terminal growth rate of 1.5% (2014: 1.5%).The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make. The post-tax discount rate applied to the projected cash flows is of 25.0% (2014: 25.0%). Pre-tax discount rate is 33.8%. This rate reflects the current market assessments of the time value of money and management's assessment of the risks specific to the projected cash flows.

Budgeted EBITDA was based on expectations of future outcomes taking into account current negotiations the Group has with prospective clients. Revenue growth was projected taking into account the estimated sales volumes for the next four years.

The recoverable amount of Transworks was determined to be higher than its carrying amount. The selection of assumptions and estimates by management involves significant judgment and small changes in these assumptions could result in the determination of a recoverable amount which is materially different to the results obtained using the variables selected by the Group and may lead to an impairment loss being recognised. This is particularly so in respect to the discount rate, timing of cash flows and projected level of operations used in the cash flow projections.

The estimated recoverable amount of Transworks exceeds its carrying amount by approximately €1.4m. Since acquiring the additional shares in the Company, the Group has intensified its expansion plans for the United States. The Company is making use of business development advisors in the US to assist it in penetrating the market and currently holds positive prospects for new business. Management's projections and the estimate of the recoverable amount of Transworks may be impacted by the development of current initiatives. A reasonably possible change in management's assumptions could cause the carrying amount of the Group's investment in the subsidiary including goodwill to materially exceed the recoverable amount. The business plan is based on the management's expectation of the penetration of the US market. Should the annual net cash inflows deteriorate by more than 19% of that projected for each year from 2016 to 2020, then the carrying amount would exceed the recoverable amount.

14.5 The Group's software rights comprise the ownership title and unrestricted right to explore and use in Scandinavia the BankWORKS® software system, source code, documentation and updates/upgrades thereof. Prior to the acquisition, the rights belonged to a related party.

14.6 The Group's internally generated computer software comprises the continuous development and innovation of enterprise transaction processing software under the trade name of BankWORKS® by highly qualified and experienced team of professional employees. Expenditure on the development of computer software is capitalised including the cost of direct labour and an appropriate proportion of overheads. Capitalised expenditure on computer software is stated at cost less accumulated amortisation and any impairment losses.

15 INVESTMENTS IN SUBSIDIARIES

15.1

	THE COMPANY 2015 €	THE COMPANY 2014 €
Balance at 1 January	**1,148,774**	758,942
Acquisitions	**1,499,580**	389,832
Discount unwind on accrued income receivable from subsidiary	**81,750**	-
Balance at 31 December	**2,730,104**	1,148,774

15.2

	Address	Ownership interest fully paid-up 2015 %	Ownership interest fully paid-up 2014 %	Nature of business
RS2 Smart Processing Ltd.	RS2 Buildings, Fort Road, Mosta MST1859 Malta	**99.99**	99.99	Transaction processing services with the use of BankWORKS®
Transworks LLC	Twelfth Floor, Suite No. 1285, South Ulster, Denver, Colorado USA	**64.20**	64.20	Transaction processing services with the use of BankWORKS®
RS2 Software LAC LTDA	Rua Manoel de Nóbrega Município de São Paulo Estado de São Paulo Brazil	**99.00**	-	Provision of support and other related services to the Company and its clients

15.3 On 12 June 2009, the Company acquired control of Transworks LLC ("Transworks"), a transaction processing company in the United States of America, by acquiring 26% of the shares and voting interests in the company. On 24 September 2014, the Company acquired a further 38.2% shareholding in Transworks.

15.4 On 29 May 2012, the Company subscribed to and was allotted 1,200 shares in RS2 Smart Processing Ltd., a company registered in Malta, representing 99.99% of the share capital of this subsidiary. During 2015, RS2 Smart Processing Ltd. increased its authorised share capital to 1,500,000 ordinary shares at a nominal value of €1.00 each. The increase in share capital was fully subscribed by the existing shareholders as at 31 December 2014 in a proportionate manner.

15.5 On 16 September 2015, the Company subscribed to and was allotted 3,465 shares in RS2 Software LAC LTDA., a company registered in Brazil, representing 99.00% of the share capital of this subsidiary.

15.6 The Company has provided a guarantee to a client of one of its subsidiaries in respect of liabilities, undisputed or established as final by court, that may become due by the subsidiary to its client in relation to the services provided by the subsidiary. During 2015, a Parental Guarantee was entered into between the Company and a supplier which ensures the payments of any monetary obligations owed by one of the subsidiaries.

16 OTHER INVESTMENT

16.1

	GROUP AND COMPANY	
	2015	2014
	€	€
Non-current		
Available-for-sale financial asset	**131,785**	131,785

16.2 Non-current available-for-sale financial assets comprise an investment in a company incorporated in the United States of America that is engaged in the provision of end-to-end electronic payment platforms. The investment is carried at cost less any impairment losses. Fair value information for this investment has not been attributed because the investment is an investment in an equity instrument that does not have a quoted market price and its fair value cannot be measured reliably. Fair value cannot be measured reliably because the range of reasonable fair values is significant and the probabilities of the various estimates cannot be reasonably measured.

16.3 During 2014, the Company recognised an impairment loss on this investment amounting to €87,193. No further impairment loss was recognised in 2015.

17 TRADE AND OTHER RECEIVABLES

17.1

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Non-current				
Trade receivables	**-**	764,731	**-**	764,731
Loans and receivables from subsidiaries	**-**	-	**2,185,830**	3,172,876
Loans receivable from other related parties	**-**	32,087	**-**	32,087
	-	796,818	**2,185,830**	3,969,694
Current				
Trade receivables owed by third parties	**2,850,520**	1,545,739	**2,631,526**	1,510,790
Trade receivables owed by other related parties	**-**	2,462,473	**-**	2,462,473
Other receivables	**157,522**	158,974	**175,537**	127,377
	3,008,042	4,167,186	**2,807,063**	4,100,640

17.2 Non-current amounts due by subsidiary are unsecured, bear interest at 2%, repayable on demand and expected to be repaid within a period of five years.

In 2014, non-current loans receivable from other related parties comprise a loan receivable from RS2 Employee Trust amounting to €32,087 which was repaid in full in 2015. This loan was repayable within ten years from 2010 and bore an interest at normal commercial banking rates.

17.3 Trade receivables for the Group and Company are shown net of impairment losses amounting to €183,705 (2014: €1,352,985).

17.4 Current amounts due by other related parties as at 31 December 2014 were unsecured, repayable on demand and did not bear any interest.

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

17.5

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Current				
Loans and receivables from related parties				
Amounts owed by parent company	**744,380**	737,087	**744,380**	737,087
Amounts owed by other related parties	**66,042**	130,958	**66,042**	130,958
	810,422	868,045	**810,422**	868,045

17.6 Current amounts due by parent company and other related parties are unsecured and repayable on demand. Amounts due by the parent company bear interest at the rate of 2% per annum. All other amounts due are interest free.

17.7 Transactions with related parties are set out in note 31 to these financial statements.

17.8 The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

18 ACCRUED INCOME

18.1

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Non - Current				
Accrued income owed by third parties	**354,000**	451,187	**354,000**	451,187
Accrued income owed by subsidiary	**-**	-	**1,707,205**	2,086,733
Accrued income owed by related parties	**-**	989,563	**-**	989,563
	354,000	1,440,750	**2,061,205**	3,527,483
Current				
Accrued income owed by third parties	**2,052,050**	2,188,205	**1,912,981**	2,188,205
Accrued income owed by parent company	**120,000**	120,000	**120,000**	120,000
Accrued income owed by subsidiary	**-**	-	**553,600**	349,571
Accrued income owed by related parties	**5,047,551**	2,536,209	**5,047,551**	2,536,209
	7,219,601	4,844,414	**7,634,132**	5,193,985

18.2 Transactions with related parties are set out in note 31 to these financial statements.

19 CASH AND CASH EQUIVALENTS

19.1

		THE GROUP		THE COMPANY	
	Note	2015	2014	2015	2014
		€	€	€	€
Cash at bank		**7,189,013**	4,515,392	**6,629,735**	3,727,188
Cash in hand		**4,668**	5,054	**4,668**	4,715
Cash pledged as guarantee	19.2	**-**	(8,409)	**-**	(8,409)
		7,193,681	4,512,037	**6,634,403**	3,723,494

19 CASH AND CASH EQUIVALENTS (CONTINUED)

19.2 The amount of €8,409 as at 31 December 2014 represents cash pledged as guarantee in favour of MEPA relating to the full development permit granted to the Company for the development of its new premises in Mosta. This pledge was released in 2015. In 2015, the Company provided a guarantee to one of its clients of $222,251 which shall become payable if the Company fails to fulfil the contractual obligations under the agreement with the client.

20 CAPITAL AND RESERVES

20.1 SHARE CAPITAL

	GROUP AND COMPANY	
	2015	**2014**
	No.	**No.**
Ordinary Shares		
On issue at 1 January - fully paid-up	**44,999,956**	42,499,956
Share split	**44,999,956**	-
Bonus issue	**-**	2,500,000
On issue at 31 December - fully paid-up	**89,999,912**	44,999,956

At 31 December 2015, the authorised share capital comprised 100,000,000 (2014: 50,000,000) ordinary shares at a nominal value of €0.10 each (2014: €0.20 each). On 9 June 2015, the Company resolved to re-designate the authorised share capital previously consisting of 50,000,000 Ordinary Shares of €0.20 each to 100,000,000 Ordinary Shares of €0.10 each. Following the share split, the Company's issued share capital is of €8,999,991.20 divided into 89,999,912 Ordinary Shares of €0.10 each, each Ordinary Share being fully paid up. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regards to the Company's residual assets.

20.2 SHARE PREMIUM

Share premium amounting to €1,292,743 (2014: €1,292,743) represents premium on issue of five million (5,000,000) ordinary shares of a nominal value of €0.20 each at a share price of €0.80 each. Share premium is shown net of transaction costs of €207,266 directly attributable to the issue of the ordinary shares. During the year ended 31 December 2014, the Company allotted 2,500,000 bonus shares (1 for every 17 held) approved by the Annual General Meeting held on 11 June 2014 at a nominal value of €0.20 each, amounting to €500,000 out of its share premium reserve. During 2013, the Company allotted 2,500,000 bonus shares (1 for every 16 held) at a nominal value of €0.20 each, amounting to €500,000 out of its share premium reserve. During 2012, the Company allotted 2,499,956 bonus shares (1 for every 15 held) at a nominal value of €0.20 each, amounting to €499,991 out of its share premium reserve.

20.3 RESERVES

20.3.1 TRANSLATION RESERVE

The translation reserve of the Group comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This reserve is non-distributable.

20.3.2 SHARE OPTION RESERVE

The share option reserve represents the fair value of the employees expense in respect of share-based payments.

20.4 DIVIDENDS

The following dividends were declared and paid by the Company:

For the year ended 31 December	**2015**	**2014**
	€	**€**
Dividend, net of income tax	**2,000,000**	1,000,000
Dividend per ordinary share	**0.0444**	0.0235

20 CAPITAL AND RESERVES (CONTINUED)

20.4 DIVIDENDS (CONTINUED)

After 31 December 2015, the following dividend was proposed by the directors for 2015. This dividend has not been provided for and there are no income tax consequences.

	2015
	€
€0.02c78 per ordinary share	**2,500,000**

20.5 AVAILABILITY OF RESERVES FOR DISTRIBUTION

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Distributable	**15,323,249**	12,357,823	**19,426,460**	16,287,701
Non-distributable	**1,529,262**	1,572,030	**1,413,739**	1,512,786
	16,852,511	13,929,853	**20,840,199**	17,800,487

21 EARNINGS PER SHARE

The calculation of basic earnings per share at the respective reporting dates is calculated on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the year.

Earnings per share of the Group and Company for the year ended 31 December 2015 amounted to €0.054 and €0.055 respectively (2014: €0.032 and €0.037).

The earnings per share was derived by dividing the profit attributable to ordinary shareholders by 89,999,912 (2014: 44,999,956), being the equivalent number of ordinary shares in issue and ranking for dividend during the year.

During the year, there was an increase in the number of ordinary shares held through a share-split (see note 20.1). The calculation of earnings per share for the comparative year has been therefore adjusted retrospectively and based on the revised number of shares held at the end of the current year.

22 BANK BORROWINGS

22.1

	GROUP AND COMPANY	
	2015	2014
	€	€
Non-current liabilities		
Non-current portion of secured bank loan:		
Repayable between one and five years	**2,399,422**	2,710,067
Repayable after five years	**66,359**	-
At end of year	**2,465,781**	2,710,067
Current liabilities		
Current portion of secured bank loan	**978,850**	725,846

22 BANK BORROWINGS (CONTINUED)

22.2 Bank borrowings represent the balances on four banking facilities. The first facility is repayable over a period of 10 years from the first drawdown, is repayable in full by 13 August 2020, and is subject to interest at the rate of 2.5% over the 3-month euribor rate. The second facility is repayable over a period of 5 years from the first drawdown, is repayable in full by 18 March 2019, and is subject to interest at the rate of 3% over the 3-month euribor rate. The third facility is repayable over a period of 5 years from the first drawdown, is repayable in full by 2 July 2020, and is subject to interest at the rate of 3% over the 3-month euribor rate. The fourth facility is repayable over a period of 7 years, is repayable in full by 12 May 2022 and is subject to interest at the rate of 3% over the 3-month euribor rate.

All facilities are secured by first general hypothec over the Company's assets, first special hypothec and special privileges over the land situated in Mosta and a pledge on a comprehensive insurance policy covering the hypothecated property.

22.3 During 2011, the Company entered into an interest rate swap for the purpose of hedging the risk of changes in cash flows related to interest payments on the first facility. The fair value measurement for the interest rate swap has been categorised as a Level 2 fair value based on inputs other than quoted prices but that are observable for the asset.

22.4 The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in note 26.

22.5 The Group's exposure to liquidity risk is disclosed in note 26.

23 DEFERRED TAX ASSETS AND LIABILITIES

23.1 DEFERRED TAX ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING:

THE GROUP

	Assets		Liabilities		Balance	
	2015	2014	2015	2014	2015	2014
	€	€	€	€	€	€
Plant and equipment	-	-	**(143,269)**	(164,304)	**(143,269)**	(164,304)
Intangible assets	-	-	**(2,020,594)**	(2,073,969)	**(2,020,594)**	(2,073,969)
Impairment loss on receivables	**69,823**	479,071	**-**	-	**69,823**	479,071
Provision for exchange fluctuations	**-**	-	**(299,041)**	(230,165)	**(299,041)**	(230,165)
Unabsorbed losses	**375,915**	375,915	**-**	-	**375,915**	375,915
Unabsorbed capital allowances	**715,161**	478,786	**-**	-	**715,161**	478,786
Tax assets/(liabilities)	**1,160,899**	1,333,772	**(2,462,904)**	(2,468,438)	**(1,302,005)**	(1,134,666)
Set off of tax	**(1,160,899)**	(1,333,772)	**1,160,899**	1,333,772	**-**	-
Net tax liabilities	**-**	-	**(1,302,005)**	(1,134,666)	**(1,302,005)**	(1,134,666)

THE COMPANY

	Assets		Liabilities		Balance	
	2015	2014	2015	2014	2015	2014
	€	€	€	€	€	€
Plant and equipment	**-**	-	**(143,321)**	(164,339)	**(143,321)**	(164,339)
Intangible assets	**-**	-	**(1,584,260)**	(1,778,801)	**(1,584,260)**	(1,778,801)
Impairment loss on receivables	**69,823**	479,071	**-**	-	**69,823**	479,071
Provision for exchange fluctuations	**-**	-	**(299,041)**	(230,165)	**(299,041)**	(230,165)
Tax assets/(liabilities)	**69,823**	479,071	**(2,026,622)**	(2,173,305)	**(1,956,799)**	(1,694,234)
Set off of tax	**(69,823)**	(479,071)	**69,823**	479,071	**-**	-
Net tax liabilities	**-**	-	**(1,956,799)**	(1,694,234)	**(1,956,799)**	(1,694,234)

23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

23.2 This deferred tax liability represents the temporary differences between the written down value and the net book value of the Company's assets.

23.3 MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

THE GROUP	Balance 1 Jan 2014	Recognised in profit or loss	Balance 1 Jan 2015	Recognised in profit or loss	Balance 31 Dec 2015
	€	€	€	€	€
Plant and equipment	(123,983)	(40,321)	**(164,304)**	**21,035**	**(143,269)**
Intangible assets	(1,887,991)	(185,978)	**(2,073,969)**	**53,375**	**(2,020,594)**
Impairment loss on receivables	248,459	230,612	**479,071**	**(409,248)**	**69,823**
Provision for exchange fluctuations	21,579	(251,744)	**(230,165)**	**(68,876)**	**(299,041)**
Business Protection Act investment tax credit	229,452	(229,452)	**-**	**-**	**-**
Unabsorbed losses	183,339	192,576	**375,915**	**-**	**375,915**
Unabsorbed capital allowances	239,690	239,096	**478,786**	**236,375**	**715,161**
	(1,089,455)	(45,211)	**(1,134,666)**	**(167,339)**	**(1,302,005)**

THE COMPANY	Balance 1 Jan 2014	Recognised in profit or loss	Balance 1 Jan 2015	Recognised in profit or loss	Balance 31 Dec 2015
	€	€	€	€	€
Plant and equipment	(123,997)	(40,342)	**(164,339)**	**21,018**	**(143,321)**
Intangible assets	(1,733,992)	(44,809)	**(1,778,801)**	**194,541**	**(1,584,260)**
Impairment loss on receivables	248,459	230,612	**479,071**	**(409,248)**	**69,823**
Provision for exchange fluctuations	21,579	(251,744)	**(230,165)**	**(68,876)**	**(299,041)**
Business Protection Act investment tax credit	229,452	(229,452)	**-**	**-**	**-**
	(1,358,499)	(335,735)	**(1,694,234)**	**(262,565)**	**(1,956,799)**

24 TRADE AND OTHER PAYABLES

24.1

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Trade payables	**701,617**	592,539	**660,467**	505,073
Other payables	**-**	155,933	**-**	155,933
Dividends payable	**12,084**	8,933	**12,084**	8,933
Other taxes and social securities	**402,137**	391,846	**402,137**	391,846
Amounts due to other related parties	**7,080**	11,487	**7,080**	11,487
	1,122,918	1,160,738	**1,081,768**	1,073,272

24.2 Transactions with related parties are set out in note 31 to these financial statements.

24.3 The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

25 ACCRUALS AND DEFERRED INCOME

25.1 ACCRUALS

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Current				
Accrued expenses owed to third parties	**587,456**	547,332	**546,052**	536,010

25.2 Deferred income classified as current liabilities for the Group amounting to €1,334,103 (2014: €1,425,850) and Company amounting to €1,302,584 (2014: €1,400,798) consists of customer advances for contracted work and maintenance fees recognised on a pro-rata basis with reference to the period to which they relate.

26 FINANCIAL INSTRUMENTS

26.1 CREDIT RISK

26.1.1 EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was as follows:

	CARRYING AMOUNT			
	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Non-current assets				
Trade and other receivables	-	764,731	-	764,731
Amounts receivable from related parties	-	32,087	**2,185,830**	3,204,963
Accrued income	**354,000**	1,440,750	**2,061,205**	3,527,483
	354,000	2,237,568	**4,247,035**	7,497,177
Current assets				
Trade and other receivables	**3,008,042**	4,167,186	**2,807,063**	4,100,640
Loans and receivables from related parties	**810,422**	868,045	**810,422**	868,045
Accrued income	**7,219,601**	4,844,414	**7,634,132**	5,193,985
Cash at bank	**7,189,013**	4,515,392	**6,629,735**	3,727,188
	18,227,078	14,395,037	**17,881,352**	13,889,858

26 FINANCIAL INSTRUMENTS (CONTINUED)

26.1 CREDIT RISK (CONTINUED)

26.1.1 EXPOSURE TO CREDIT RISK (CONTINUED)

The maximum exposure to credit risk for loans and receivables, including accrued income, at the respective reporting dates by geographic region was as follows:

	CARRYING AMOUNT			
	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Non-current assets				
Europe	**354,000**	1,021,651	**3,196,415**	6,281,260
Middle East	**-**	402,960	**-**	402,960
United States of America	**-**	812,957	**1,050,620**	812,957
	354,000	2,237,568	**4,247,035**	7,497,177
Current assets				
Europe	**9,056,338**	8,646,772	**9,398,655**	8,188,411
Middle East	**804,250**	602,420	**824,082**	539,422
United States of America	**315,045**	203,928	**186,283**	1,095,375
Asia	**862,432**	426,525	**842,597**	339,462
	11,038,065	9,879,645	**11,251,617**	10,162,670

The amounts due by the Company's significant customers for loans and receivables, including accrued income, are analysed as follows:

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Customers situated in Europe	**5,928,017**	7,133,145	**5,928,017**	7,154,561

26.1.2 IMPAIRMENT LOSSES

The ageing of loans and receivables at the respective reporting dates was as follows:

	THE GROUP			
	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
	€	€	€	€
Not past due	**1,075,220**	**-**	3,681,698	-
31 days to 60 days	**265,026**	**-**	624,967	-
61 days to 90 days	**228,440**	**-**	133,700	-
Over 90 days	**2,433,483**	**183,705**	2,744,669	1,352,985
	4,002,169	**183,705**	7,185,034	1,352,985

26 FINANCIAL INSTRUMENTS (CONTINUED)

26.1 CREDIT RISK (CONTINUED)

26.1.2 IMPAIRMENT LOSSES (CONTINUED)

	THE COMPANY			
	Gross 2015 €	Impairment 2015 €	Gross 2014 €	Impairment 2014 €
Not past due	**1,311,678**	**-**	3,588,356	-
31 days to 60 days	**310,273**	**-**	643,666	-
61 days to 90 days	**182,965**	**-**	138,149	-
Over 90 days	**4,182,104**	**183,705**	5,921,193	1,352,985
	5,987,020	**183,705**	10,291,364	1,352,985

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	GROUP		COMPANY	
	2015 €	2014 €	2015 €	2014 €
Balance at 1 January	**1,352,985**	709,880	**1,352,985**	709,880
Impairment loss	**(1,247,255)**	628,960	**(1,247,255)**	628,960
Effect of exchange rate fluctuations	**77,975**	14,145	**77,975**	14,145
Balance at 31 December	**183,705**	1,352,985	**183,705**	1,352,985

Loans and receivables are stated net of a specific impairment allowance. Based on historic default rates the Group believes that no further allowance is necessary. Management believes that unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and analysis of credit risk. More specifically, balances totalling €576,840 included in the 'over 90 days' category are receivable from three customers that either are seeking further clarifications or requesting a revised schedule of payments. Management believes that these balances are collectible in full when taking into account negotiations to date and its assessment of the client's credit risk.

26.2 LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount €	Contractual Cash flows €	12 months or less €	1 - 2 years €	2 - 5 years €	More than 5 years €
31 December 2015						
The Group						
Secured bank loans	**3,444,631**	**(3,621,689)**	**(1,060,956)**	**(1,060,956)**	**(1,432,153)**	**(67,624)**
Interest rate swap	**119,187**	**(131,398)**	**(44,443)**	**(35,227)**	**(51,155)**	**(573)**
Accrued expenses	**587,456**	**(587,456)**	**(587,456)**	**-**	**-**	**-**
Trade and other payables	**1,122,918**	**(1,122,918)**	**(1,122,918)**	**-**	**-**	**-**
	5,274,192	**(5,463,461)**	**(2,815,773)**	**(1,096,183)**	**(1,483,308)**	**(68,197)**
The Company						
Secured bank loans	**3,444,631**	**(3,621,689)**	**(1,060,956)**	**(1,060,956)**	**(1,432,153)**	**(67,624)**
Interest rate swap	**119,187**	**(131,398)**	**(44,443)**	**(35,227)**	**(51,155)**	**(573)**
Accrued expenses	**546,052**	**(546,052)**	**(546,052)**	**-**	**-**	**-**
Trade and other payables	**1,081,768**	**(1,081,768)**	**(1,081,768)**	**-**	**-**	**-**
	5,191,638	**(5,380,907)**	**(2,733,219)**	**(1,096,183)**	**(1,483,308)**	**(68,197)**

26 FINANCIAL INSTRUMENTS (CONTINUED)

26.2 LIQUIDITY RISK (CONTINUED)

31 December 2014

	Carrying amount	Contractual Cash flows	12 months or less	1 - 2 years	2 - 5 years	More than 5 years
	€	€	€	€	€	€
The Group						
Secured bank loans	3,435,913	(3,659,412)	(812,196)	(812,196)	(2,035,020)	-
Interest rate swap	159,749	(176,770)	(51,087)	(42,510)	(74,995)	(8,178)
Accrued expenses	547,332	(547,332)	(547,332)	-	-	-
Trade and other payables	1,160,738	(1,160,738)	(1,160,738)	-	-	-
	5,303,732	(5,544,252)	(2,571,353)	(854,706)	(2,110,015)	(8,178)
The Company						
Secured bank loans	3,435,913	(3,659,412)	(812,196)	(812,196)	(2,035,020)	-
Interest rate swap	159,749	(176,770)	(51,087)	(42,510)	(74,995)	(8,178)
Accrued expenses	536,010	(536,010)	(536,010)	-	-	-
Trade and other payables	1,073,272	(1,073,272)	(1,073,272)	-	-	-
	5,204,944	(5,445,464)	(2,472,565)	(854,706)	(2,110,015)	(8,178)

26.3 CURRENCY RISK

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2015			
	USD	JOD	BRL	GBP
The Group				
Trade receivables	**1,422,955**	**-**	**1,155**	**-**
Accrued Income	**611,010**	**-**	**-**	**3,700,579**
Cash at bank	**532,467**	**-**	**3,325**	**2,672,809**
Trade payables	**(337,460)**	**(33,570)**	**-**	**(23,382)**
Gross statement of financial position exposure	**2,228,972**	**(33,570)**	**4,480**	**6,350,006**
The Company				
Trade receivables	**1,432,530**	**-**	**1,155**	**-**
Accrued Income	**611,010**	**-**	**-**	**3,700,579**
Cash at bank	**532,467**	**-**	**-**	**2,672,809**
Trade payables	**(320,523)**	**(33,570)**	**-**	**(23,382)**
Gross statement of financial position exposure	**2,255,484**	**(33,570)**	**1,155**	**6,350,006**

26 FINANCIAL INSTRUMENTS (CONTINUED)

26.3 CURRENCY RISK (CONTINUED)

	2014		
	USD	JOD	GBP
The Group			
Trade receivables	1,456,255	-	1,934,701
Accrued Income	1,406,550	-	2,781,125
Cash at bank	593,641	-	677,266
Trade payables	(112,711)	(34,753)	(2,465)
Gross statement of financial position exposure	3,343,735	(34,753)	5,390,627
The Company			
Trade receivables	1,456,255	-	1,934,701
Accrued Income	1,406,550	-	2,781,125
Cash at bank	593,641	-	677,266
Trade payables	(93,654)	(34,753)	(2,465)
Gross statement of financial position exposure	3,362,792	(34,753)	5,390,627

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2015	2014	2015	2014
USD 1	**0.9013**	0.7527	**0.9185**	0.8237
JOD 1	**1.2749**	1.0662	**1.2953**	1.1654
BRL 1	**0.2702**	0.3204	**0.2319**	0.3105
GBP 1	**1.3777**	1.2405	**1.3625**	1.2839

SENSITIVITY ANALYSIS

A 10 percent strengthening of the Euro against the following currencies at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	THE GROUP		THE COMPANY	
	Equity	Profit or loss	Equity	Profit or loss
	€	€	€	€
31 December 2015				
USD	**(186,125)**	**(186,125)**	**(188,338)**	**(188,338)**
JOD	**3,953**	**3,953**	**3,953**	**3,953**
BRL	**(87)**	**(87)**	**(17)**	**(17)**
GBP	**(786,529)**	**(786,529)**	**(786,529)**	**(786,529)**
31 December 2014				
USD	(250,371)	(250,371)	(251,798)	(251,798)
JOD	3,682	3,682	3,682	3,682
GBP	(629,165)	(629,165)	(629,165)	(629,165)

A 10 percent weakening of the Euro against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26 FINANCIAL INSTRUMENTS (CONTINUED)

26.4 INTEREST RATE RISK

26.4.1 PROFILE

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Fixed rate instruments				
Financial assets	**744,380**	787,078	**2,768,697**	3,909,962
Variable rate instruments				
Financial assets	**7,189,013**	4,547,479	**6,629,735**	3,759,276
Financial liabilities	**(3,563,818)**	(3,595,662)	**(3,563,818)**	(3,595,662)
	3,625,195	951,817	**3,065,917**	163,614

26.4.2 INTEREST RATE RISK

The Group is exposed to interest rate risk on its borrowings arising from movements in the Bank's 3-month euribor rate. Part of this interest rate risk exposure is hedged through the use of an interest rate swap.

26.4.3 CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

A change of 100 basis points in interest rates at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	GROUP			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	€	€	€	€
31 December 2015				
Variable rate instruments	**63,523**	**(63,523)**	**63,523**	**(63,523)**
31 December 2014				
Variable rate instruments	(58,327)	58,327	(58,327)	58,327

26 FINANCIAL INSTRUMENTS (CONTINUED)

26.4 INTEREST RATE RISK (CONTINUED)

26.4.3 CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS (CONTINUED)

	COMPANY			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	€	€	€	€
31 December 2015				
Variable rate instruments	**57,931**	**(57,931)**	**57,931**	**(57,931)**
31 December 2014				
Variable rate instruments	(50,445)	50,445	(50,445)	50,445

26.5 FAIR VALUES

26.5.1 FAIR VALUES VERSUS CARRYING AMOUNTS

The reported carrying amounts at the respective reporting dates of the Group's and Company's current financial instruments are a reasonable approximation of their 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.

The basis for determining fair value is disclosed in note 5.

27 SHARE-BASED PAYMENT ARRANGEMENTS

27.1 DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

At 31 December 2015, the Group had the following share-based payment arrangements:

RS2 employee share option scheme (equity-settled)

An RS2 Employee Trust was setup during the year ended 31 December 2010 to purchase and hold 750,000 ordinary shares in the Company in order to satisfy the future exercise of options by employees in accordance with the scheme.

The number of shares in respect of which share options were granted under the Scheme in a three-year period is limited to 2% of the issued share capital of the Company (850,000 shares), and options are exercisable at any time up to eight (8) years from the date on which the options are granted.

The scheme was implemented during 2011, being the first year of performance, and 2013, being the last year of performance.

27.2 OUTSTANDING SHARE OPTIONS

There were 193,741 (2014: 284,024) share options outstanding at 31 December 2015.

28 OPERATING LEASES

28.1 During 2015, the Company was a party to an agreement for leased premises at Imgarr Road, Xewkija, Gozo under a deed with the Government of Malta. The lease is for a twenty five-year term, lasting until April 2039 with the option to transfer the Emphyteutical site with prior written consent of the Commissioner of Land.

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Less than one year	**25,826**	22,837	**25,826**	22,837
Between one and five years	**108,469**	105,887	**108,469**	105,887
More than five years	**616,269**	644,677	**616,269**	644,677
	750,564	773,401	**750,564**	773,401

The following amounts were recognised as administrative expenses in the statements of comprehensive income in respect of this operating lease:

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Operating lease expense	**22,837**	11,240	**22,837**	11,240

28.2 During 2015, the Group was a party to an agreement with a computer hardware company to obtain a combination of managed hosting services and a private cloud infrastructure. The agreement was for a three year period commencing in September 2012. This was renewed in September 2015 and will expire in September 2018. The Group had the following non-cancellable payments which include both lease and non-lease elements.

28 OPERATING LEASES (CONTINUED)

28.2 (CONTINUED)

	THE GROUP 2015 €	THE GROUP 2014 €
Less than one year	**504,660**	425,315
Between one and five years	**883,155**	-
	1,387,815	425,315

The following amounts were recognised as cost of sales in the statements of comprehensive income in respect of this operating lease:

	THE GROUP 2015 €	THE GROUP 2014 €
Operating lease expense	**558,715**	495,060

28.3 During 2015, the Group was a party to an agreement for leased premises in Denver, USA. The lease is for a five-year term, lasting until March 2021. The Group had the following non-cancellable payments:

	THE GROUP 2015 €	THE GROUP 2014 €
Less than one year	**98,371**	-
Between one and five years	**408,750**	-
More than five years	**26,289**	-
	533,410	-

29 CAPITAL COMMITMENTS

The Company is committed to incur capital commitments in 2016 amounting to €191,624 related to leased premises in Gozo.

30 CONTINGENCIES

A contingent liability may arise on certain claims against the Group on warranties arising in the ordinary course of the Group's business. Based on historical facts, the likeliness of any future warranty claims is deemed to be remote.

31 RELATED PARTIES

31.1 PARENT AND ULTIMATE CONTROLLING PARTY

The Company is owned up to 50.04% by ITM (Information Technology Management) Holding Limited, a local registered company, the registered office of which, 66, Old Bakery Street, Valletta, Malta. The ultimate parent company of the Group is Yellow Stone Investment Limited, a company registered in British Virgin Islands. In their capacity as ultimate shareholders of ITM (Information Technology Management) Holding Limited, Ulrike Schäffter and Radi Abd El Haj indirectly hold 25.02% and 25.02% of the issued share capital of the Company respectively.

31.2 IDENTITY OF RELATED PARTIES

The Company has a related party relationship with its parent company, its subsidiaries, the Company's key management personnel (including directors and the Company's senior management), and entities in which the directors or their immediate relatives have an ownership interest and management entities that provide key management personnel services to the group ("other related parties").

31 RELATED PARTIES (CONTINUED)

31.2 IDENTITY OF RELATED PARTIES (CONTINUED)

The Company uses the legal services of GTG Advocates in relation to advice given to the Company. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Directors of the Company control directly and indirectly 28.03% (2014: 28.03%) of the voting shares of the Company. As at 31 December 2013, the Company was owed an amount of €350,000 from one of its directors. The amount was repayable on demand, unsecured and interest free. During the comparative year, the director entered into a novation agreement with the parent company for the assumption of the debt due to the Company.

31.3 RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	€	€	€	€
Key management personnel				
Remuneration for services provided by	**1,315,729**	1,125,088	**1,019,913**	939,102
Novation of receivables to parent company by	**-**	350,000	**-**	350,000
Directors' fees paid	**82,695**	77,000	**82,695**	77,000
Dividend paid to	**63,331**	32,320	**63,331**	32,320
Parent company				
Repayments of advances to	**-**	100,000	**-**	100,000
Novation of receivables from key management personnel to	**-**	350,000	**-**	350,000
Interest charged to	**7,294**	3,443	**7,294**	3,443
Dividend paid to	**1,000,854**	500,231	**1,000,854**	500,231
Subsidiaries				
Repayment of advances to			**1,873,257**	140,190
Payments for services provided to			**163,010**	349,177
Services provided to			**787,877**	712,121
Services provided by			**41,600**	-
Services not yet invoiced provided to			**142,555**	349,573
Interest charged to			**59,372**	56,698
Repayment of interest charged to			**48,977**	9,810
Payments on behalf of			**28,160**	135,985
Recharge of salaries			**117,386**	-
Waiver of accrued commissions			**-**	123,806
Other related parties				
Services provided by	**1,104,167**	1,121,038	**1,086,115**	1,121,038
Services provided to	**6,359,590**	3,654,061	**6,359,590**	3,654,061
Services not yet invoiced provided to	**1,293,131**	295,020	**1,293,131**	295,020
Payments for services provided by	**1,115,344**	1,107,209	**1,115,344**	1,107,209
Payments for services provided to	**8,822,063**	1,347,792	**8,822,063**	1,347,912
Loan repayments by	**31,711**	262,357	**31,711**	262,357
Interest charged to	**824**	6,689	**824**	6,689
Interest repayments	**1,200**	7,644	**1,200**	7,644

31.4 RELATED PARTY BALANCES

Information on amounts due to/by related parties is set out in notes 17, 18 and 24 to these financial statements.

KPMG
Portico Building
Marina Street
Pieta' PTA 9044
Malta

Telephone (+356) 2563 1000
Fax (+356) 2566 1000
E-mail kpmg@kpmg.com.mt
Internet www.kpmg.com.mt

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RS2 SOFTWARE P.L.C.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RS2 Software p.l.c. (the "Company") and of the Group of which the Company is the parent, as set out on pages 37 to 94, which comprise the statements of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation. They are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Act and may not be appropriate for any other purpose.

In addition, we read the other information contained in the Annual Report 2015 and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent material misstatements of fact or material inconsistencies with the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG
Portico Building
Marina Street
Pieta' PTA 9044
Malta

Telephone (+356) 2563 1000
Fax (+356) 2566 1000
E-mail kpmg@kpmg.com.mt
Internet www.kpmg.com.mt

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RS2 SOFTWARE P.L.C.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the Group's and the Company's financial position as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION BY THE COMPANIES ACT, 1995 (CHAPTER 386, LAWS OF MALTA) (THE "ACT")

We have nothing to report in respect of the following matters where the Act requires us to report to you if, in our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- proper accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit; or
- certain disclosures of directors' remuneration specified by the Act are not made.

KPMG
Portico Building
Marina Street
Pieta' PTA 9044
Malta

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Fax (+356) 2566 1000
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Internet www.kpmg.com.mt

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RS2 SOFTWARE P.L.C.

Report required by Listing Rule 5.98 issued by the Listing Authority in Malta on the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance (the "Principles") outlined in Appendix 5.1 to Chapter 5 (Continuing Obligations) of the Listing Rules (the "Appendix")

Listing Rule 5.97 requires an Issuer whose securities are admitted to trading on a Regulated Market operating in Malta to prepare a corporate governance statement. In addition, as an Issuer registered in Malta, Listing Rule 5.94 requires that the Company endeavours to adopt the Principles and to prepare a report explaining how it has complied with the provisions of the Appendix.

Our responsibility as independent auditors of the Company, is laid down by Listing Rule 5.98, which requires us to issue a report on the Directors' Statement of Compliance with the Principles, which is set out on pages 27 to 31.

We review the Directors' Statement of Compliance, and report as to whether this Statement provides the disclosures required by Listing Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures, nor on the ability of the Group to continue in operational existence.

In our opinion, the Directors' Statement of Compliance set out on pages 27 to 31 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority of Malta.

Kevin Mifsud
(Director) for and on behalf of

KPMG
REGISTERED AUDITORS

28 April 2016

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