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News Release

For Immediate Release October 29, 2010.

**ESI ENTERTAINMENT SYSTEMS INC ANNOUNCES
FISCAL 2011 SECOND QUARTER FINANCIAL RESULTS**

BURNABY, B.C. October 29, 2010 - ESI Entertainment Systems Inc. ("ESI" or the "Company") (CNSX: ESY) reported today its financial results (unaudited) for fiscal Q2 2011 ended August 31, 2010. (All dollar amounts reported in Canadian funds)

Consolidated financial highlights for the quarter include (Q2 2011 compared to Q2 2010):

- Revenues decreased by 14% to \$822,000 from \$952,000
- Gross profit decreased by 4% to \$340,000 from \$355,000
- Operating Expenses decreased by 3% to \$728,000 from \$752,000
- Net loss decreased by 47% to \$283,000 from \$535,000

During the Second Quarter we continued to reduce direct and operating expenses whilst at the same time are working to expand the business base of ESI Integrity and grow the business of Citadel Commerce.

Despite these global financially turbulent times, which bring uncertainty to many businesses, we are pleased that the ESI group is able to keep its costs to a minimum and continue to reduce its net loss. Each of the two operating subsidiaries has closely governed expenditures while remaining focused on building its business. The summer months of June, July and August typically show a decrease or flattening in our revenues usually presaging a renewed surge in the Fall.

Financial Review

Consolidated Revenues

The following table provides a breakdown of the Company's revenues from its subsidiaries for the reported periods:

| | Three months ended Aug 31 | | | Six months ended Aug 31 | | |
|---------------|---------------------------|------|----------|-------------------------|-------|----------|
| (\$ 000) | 2010 | 2009 | % Change | 2010 | 2009 | % Change |
| Integrity | 440 | 706 | (38%) | 874 | 1,286 | (32%) |
| Citadel | 382 | 246 | 55% | 691 | 500 | 38% |
| Total Revenue | 822 | 952 | (14%) | 1,565 | 1,786 | (12%) |

Total revenue decreased by 14% to \$822,000 for the three months ended August 31, 2010 from \$952,000 for the three months ended August 31, 2009.

Integrity Revenues

ESI Integrity provides software solutions for real-time auditing of transaction processing systems to businesses requiring high levels of security, integrity, and trust, including government regulated lotteries and pari-mutuel (horse tracks) organizations.

Integrity Revenues are generated from long term customer license and support contracts where it charges a fixed license fee for the use of its audit and risk management software, as well as an annual support fee. Revenue is typically earned over a two to five year period, depending on a contract's respective term.

Approximately 54% of ESI's revenues were generated by ESI Integrity during the three months ended August 31, 2010 compared to 74% for the same period in the prior year.

The decrease in revenue is due to a reduction in work plan and consulting revenues combined with the adverse effect of the weakened US dollar and Euro currencies relative to the Canadian dollar. The majority of Integrity's revenues are contracted in US dollars or Euros.

Citadel Revenues

Citadel revenues are generated from its on-line payment processing which include electronic cheques and paper cheques but its main focus is its Instant Bank Transfer service. All of Citadel's services are charged on a fee per transaction charged to its merchants.

Approximately 46% of ESI's revenues were generated by Citadel during the three months ended August 31, 2010 compared to 26% for the same period in the prior year.

The increase in revenue is due to new merchants implementing Citadel's Instant Bank Transfer service as well as additional volume from existing customers.

Product Development

All Product Development expenses are now being capitalized

Sales, Marketing and Customer Service

Sales, marketing and customer service expenses were \$29,035 and \$60,419 during the three and six months ended August 31, 2010 respectively, a decrease of 24% and 23% respectively compared to \$37,954 and \$78,279 for the three and six months ended August 31, 2009.

General and Administrative

General and administrative expenses were \$687,397 and \$1,346,436 during the three and six months ended August 31, 2010 respectively, representing an increase of 15% and 6% compared to \$594,803 and \$1,270,538 for the three months and six months ended August 31, 2009.

Amortization of Property and Equipment

Amortization expenses were \$12,370 and \$26,345 during the three month and six month periods ended August 31, 2010, respectively, a decrease of 79% and 80% compared to \$59,276 and \$131,502 for the corresponding periods ended August 31, 2009. The decrease in amortization expense mainly relates to very few new assets being purchased and amortization being reduced on older equipment.

Net Loss

Net loss for the three and six month periods ended August 31, 2010 was \$283,424 (\$0.02 net loss per share) and \$698,224 (\$0.05 net loss per share), respectively, compared to net loss of \$535,677 (\$0.04 net loss per share) and \$1,057,800 (\$0.07 net loss per share) for the prior comparative periods.

Citadel Processing Accounts

Citadel processing accounts as at August 31, 2010 totaled \$5.7 million compared to \$5.6 million as at February 28, 2010. These accounts are comprised of cash, which are segregated bank funds arising from the processing of deposits and payments for Citadel merchants and consumers, and accounts receivable relating to Citadel processing accounts for funds in transit from merchants and consumers.

Consolidated Balance Sheets

(expressed in Canadian dollars)
(unaudited)

| | August 31, 2010 (unaudited) | February 28, 2010 (audited) |
|---|-----------------------------------|-----------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 94,794 | \$ 89,208 |
| Accounts receivable | 1,274,650 | 1,073,580 |
| Citadel processing accounts (Note 3) | 4,648,617 | 4,937,401 |
| Prepays | 103,990 | 65,658 |
| | <u>6,122,051</u> | <u>6,165,847</u> |
| Capitalized development costs | 119,333 | 47,532 |
| Property and equipment (Note 4) | 147,372 | 170,499 |
| Deferred contract costs | 466,915 | 550,362 |
| | <u>\$ 6,855,671</u> | <u>\$ 6,934,240</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 8) | \$ 2,928,692 | \$ 2,227,935 |
| Loan Payable (Note 9) | 2,247,948 | 2,174,733 |
| Citadel processing liabilities (Note 3) | 5,720,798 | 5,649,239 |
| Deferred revenue | 495,288 | 582,230 |
| | <u>11,392,726</u> | <u>10,634,137</u> |
| Deferred revenue | 774,681 | 913,605 |
| | <u>12,167,407</u> | <u>11,547,742</u> |
| Shareholders' Equity | | |
| Capital stock (Note 5) | 9,957,959 | 9,957,959 |
| Contributed surplus | 4,467,539 | 4,467,539 |
| Deficit | (19,737,234) | (19,039,010) |
| | <u>(5,311,736)</u> | <u>(4,613,502)</u> |
| | <u>\$ 6,855,671</u> | <u>\$ 6,934,240</u> |

These unaudited financial statements have not been reviewed by the Company's auditors.

Consolidated Statements of Operations and Comprehensive Income (Deficit) and Retained Earnings

(expressed in Canadian dollars)

| (unaudited) | Three Months Ended August 31, | | Six Months Ended August 31, | |
|--|-------------------------------|------------------------|-----------------------------|------------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues (Note 4) | \$ 822,029 | \$ 952,271 | \$ 1,565,294 | \$ 1,786,262 |
| Direct costs | <u>482,599</u> | <u>597,289</u> | <u>980,012</u> | <u>1,271,526</u> |
| Gross profit | <u>339,430</u> | <u>354,982</u> | <u>585,282</u> | <u>514,736</u> |
| Operating expenses | | | | |
| Product development | - | 59,580 | - | 122,888 |
| Sales, marketing and customer service | 29,035 | 37,954 | 60,419 | 78,279 |
| General and administrative | 687,397 | 594,803 | 1,346,436 | 1,270,538 |
| Amortization of property and equipment | <u>12,370</u> | <u>59,276</u> | <u>26,345</u> | <u>131,502</u> |
| | <u>728,802</u> | <u>751,613</u> | <u>1,433,200</u> | <u>1,603,207</u> |
| (Loss) Earnings before under noted items | (389,372) | (396,631) | (847,918) | (1,088,471) |
| Other expenses (income) | | | | |
| Foreign exchange loss (gain) | (158,526) | 118,671 | (250,935) | (96,674) |
| Interest income | (645) | (19,510) | (689) | (20,200) |
| Interest expense | <u>53,223</u> | <u>39,885</u> | <u>101,930</u> | <u>86,203</u> |
| Net (Loss) Earnings | <u>\$ (283,424)</u> | <u>\$ (535,677)</u> | <u>\$ (698,224)</u> | <u>\$ (1,057,800)</u> |
| (Loss) Earnings per share | | | | |
| Basic | \$ (0.02) | \$ (0.04) | \$ (0.05) | \$ (0.07) |
| Retained earnings (deficit), beginning of period | \$ (19,453,810) | \$ (17,220,834) | \$ (19,039,010) | \$ (16,698,711) |
| Net (Loss) Earnings | <u>(283,424)</u> | <u>(535,677)</u> | <u>(698,224)</u> | <u>(1,057,800)</u> |
| Retained earnings (deficit), end of period | <u>\$ (19,737,234)</u> | <u>\$ (17,756,511)</u> | <u>\$ (19,737,234)</u> | <u>\$ (17,756,511)</u> |

These unaudited financial statements have not been reviewed by the Company's auditors.

About ESI Entertainment Systems Inc.

ESI Entertainment Systems Inc (CNSX: ESY) is an idea generation and software development company. We develop concepts, create prototypes, establish partnerships and validate potential markets. When we have proven a product and its opportunities we create subsidiaries with a dedicated team, infrastructure, and resources to allow it to focus on building and selling the product to its market niche. Our team of experienced and dedicated people have led us to be revolutionary market leaders in many industries, including e-commerce payment technologies, hardware based input devices, real time auditing systems, transaction processing systems, graphical 3D displays, e-commerce web services, and payment fraud and risk mitigation. Since formation in 1999 ESI Entertainment Systems Inc has created three independently operated and controlled subsidiaries based on validated and proven products: Citadel Commerce Corp., ESI Integrity Inc., and PlayLine Inc. PlayLine Inc. is presently dormant.

Forward looking Statements

This news release may contain forward-looking statements concerning ESI Entertainment Systems Inc, which statements can be identified by the use of forward-looking terminology such as "expect", "proposed", "may", "plan", "intend", "will", "would" or the negative thereof or any other variations thereon or comparable terminology referring to future events or results. Forward-looking statements are statements about the future and are inherently uncertain, and the actual events or results could be materially different than those anticipated in those forward-looking statements as a result of numerous factors discussed more fully in the Company's Final Prospectus dated March 22, 2006, Annual Information Form and elsewhere in other filings on www.sedar.com. These risks include risks related to revenue growth, operating results, industry growth, changes in regulation and legislation, products, technology, financing, competition, personnel and other factors affecting the Company and its business, any of which could cause actual events or results to vary materially from ESI's anticipated future results. Forward-looking statements are based on beliefs, opinions and expectations of ESI's management at the time they are made, and ESI does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances should change.

The Canadian National Stock Exchange does not accept responsibility for this press release.

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