



ESI Entertainment Systems Inc.

1018 - 4720 Kingsway Ave

Burnaby, BC V5H 4N2

Telephone 604.299.6922

Facsimile 604.299.3984

www.esi.ca

News Release

For Immediate Release January 28, 2011.

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

BURNABY, B.C. January 28, 2011 - ESI Entertainment Systems Inc. ("ESI" or the "Company") (CNSX: ESY) reported today its financial results (unaudited) for fiscal Q3 2011 ended November 30, 2010. (All dollar amounts reported in Canadian funds)

Consolidated financial highlights for the quarter include (Q3 2011 compared to Q3 2010):

- Revenues increased by 13% to \$937,000 from \$832,000
- Gross profit increased by 145% to \$488,000 from \$198,000
- Operating Expenses decreased by 19% to \$664,000 from \$825,000
- Net loss decreased from \$525,000 to net earnings of \$250,000.

During the Third 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. Growing Citadel transaction processing resulted in our gross revenues increasing by 14% over last quarter (Q2 2011); the increase in net earnings is due to a foreign exchange adjustment from prior periods

Financial Review

Consolidated Revenues

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

(\$ 000)	Three months ended November 30			Nine months ended November 30		
	2010	2009	% Change	2010	2009	% Change
Integrity	401	546	(27%)	1,275	1,832	(30%)
Citadel	536	286	87%	1,227	786	56%
Total Revenue	937	832	13%	2,502	2,618	(4%)

Total revenue increased by 13% to \$937,000 for the three months ended November 30, 2010 from \$832,000 for the three months ended November 30, 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 43% of ESI's revenues were generated by ESI Integrity during the three months ended November 30, 2010 compared to 66% 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 57% of ESI's revenues were generated by Citadel during the three months ended November 30, 2010 compared to 34% 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.

Consolidated Gross Profit

The following table provides a summary of the Company's gross profit for the reported periods:

(\$ 000)	Three months ended Nov 30		Nine months ended Nov 30	
	2010	2009	2010	2009
Revenues	937	832	2,502	2,618
Direct Costs	449	634	1,428	1,905
Gross profit	488	198	1,074	713
Gross profit margin (%)	52%	24%	43%	27%

Product Development

All Product Development expenses are now being capitalized

Sales, Marketing and Customer Service

Sales, marketing and customer service expenses were \$50,496 and \$110,915 during the three and nine months ended November 30, 2010 respectively, an increase of 28% and a decrease of 6% respectively compared to \$39,423 and \$117,702 for the three and nine months ended November 30, 2009.

General and Administrative

General and administrative expenses were \$600,871 and \$1,947,307 during the three and nine months ended November 30, 2010 respectively, representing a decrease of 14% and 1% compared to \$699,865 and \$1,970,403 for the three months and nine months ended November 30, 2009.

Amortization of Property and Equipment

Amortization expenses were \$12,915 and \$39,260 during the three month and nine month periods ended November 30, 2010, respectively, a decrease of 55% and 75% compared to \$28,710 and \$160,212 for the corresponding periods ended November 30, 2009. The decrease in amortization expense mainly relates to very few new assets being purchased and amortization being reduced on older equipment.

Net Earnings (Loss)

Net earnings for the three and nine month periods ended November 30, 2010 was \$250,350 (\$0.02 net earnings per share) and (\$447,874), (\$0.03 net loss per share), respectively, compared to net earnings of (\$525,232), (\$0.04 net loss per share) and (\$1,583,032), (\$0.11 net loss per share) for the prior comparative periods. The net earnings reported during the three months ending November is due to a foreign exchange adjustment from prior periods.

Citadel Processing Accounts

Citadel processing accounts as at November 30, 2010 totaled \$5.653 million compared to \$5.649 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)

	November 30, 2010 (unaudited)	February 28, 2010 (audited)
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Assets		
Cash and cash equivalents	\$ 101,411	\$ 89,208
Accounts receivable	1,012,604	1,073,580
Prepays	63,549	65,658
Citadel processing accounts (Note 3)	4,810,097	4,937,401
	<u>5,987,661</u>	<u>6,165,847</u>
Property and equipment (Note 4)	143,640	170,499
Deferred contract costs	424,165	550,362
Capitalized development costs	135,584	47,532
	<u>\$ 6,691,050</u>	<u>\$ 6,934,240</u>
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Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 2,686,187	\$ 2,227,945
Loan Payable (Note 9)	2,185,586	2,174,733
Deferred revenue	478,711	582,230
Citadel processing liabilities	5,653,200	5,649,239
	<u>11,003,684</u>	<u>10,634,147</u>
Deferred revenue	748,752	913,605
	<u>11,752,436</u>	<u>11,547,752</u>
Shareholders' Equity (Deficit)		
Capital stock (Note 5)	9,957,959	9,957,959
Contributed surplus	4,467,539	4,467,539
(Deficit)	(19,486,884)	(19,039,010)
	<u>(5,061,386)</u>	<u>(4,613,512)</u>
	<u>\$ 6,691,050</u>	<u>\$ 6,934,240</u>
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On behalf of the Board

"Tony Greening" Director
Tony Greening

"Michael Meeks" Director
Michael Meeks

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

Consolidated Statements of Operations and Comprehensive Loss and Deficit

(expressed in Canadian dollars)

(unaudited)	Three Months Ended November 30,		Nine Months Ended November 30,	
	2010	2009	2010	2009
Revenues	\$ 936,842	\$ 832,284	\$ 2,502,136	\$ 2,618,546
Direct costs	<u>448,585</u>	<u>633,693</u>	<u>1,428,597</u>	<u>1,905,219</u>
Gross profit	<u>488,257</u>	<u>198,591</u>	<u>1,073,539</u>	<u>713,327</u>
Operating expenses				
Product development	-	56,794	-	179,682
Sales, marketing and customer service	50,496	39,423	110,915	117,702
General and administrative	600,871	699,865	1,947,307	1,970,403
Amortization of property and equipment	12,915	28,710	39,260	160,212
	<u>664,282</u>	<u>824,792</u>	<u>2,097,482</u>	<u>2,427,999</u>
(Loss) Earnings before under noted items	(176,025)	(626,201)	(1,023,943)	(1,714,672)
Other expenses (income)				
Foreign exchange loss (gain)	(397,698)	(143,733)	(648,633)	(240,407)
Other Income	(83,978)	-	(83,978)	-
Interest income	(57)	(640)	(746)	(20,840)
Interest expense	55,358	43,404	157,288	129,607
Net (Loss) Earnings	<u>\$ 250,350</u>	<u>\$ (525,232)</u>	<u>\$ (447,874)</u>	<u>\$ (1,583,032)</u>
(Loss) Earnings per share				
Basic	\$ 0.02	\$ (0.04)	\$ (0.03)	\$ (0.11)
Deficit, beginning of period	\$ (19,737,234)	\$ (17,756,511)	\$ (19,039,010)	\$ (16,698,711)
Net (Loss) Earnings	<u>250,350</u>	<u>(525,232)</u>	<u>(447,874)</u>	<u>(1,583,032)</u>
Deficit, end of period	<u>\$ (19,486,884)</u>	<u>\$ (18,281,743)</u>	<u>\$ (19,486,884)</u>	<u>\$ (18,281,743)</u>

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

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)	Three Months Ended November 30,		Nine Months Ended November 30,	
	2010	2009	2010	2009
Cash flows provided by (used in)				
Operating activities				
Net earnings	\$ 250,350	\$ (525,232)	\$ (447,874)	\$ (1,583,032)
Items not affecting cash:				
Amortization of property and equipment	12,915	28,710	39,260	160,212
Net changes in non-cash operating items:				
Accounts receivable	262,045	146,013	60,976	709,816
Prepays	40,411	(64,990)	2,109	(130,270)
Accounts payable and accrued liabilities	(471,581)	483,128	589,507	512,590
Deferred revenue	(42,506)	(72,334)	(268,372)	(135,733)
Deferred contract costs	42,749	36,967	126,197	100,411
	<u>94,413</u>	<u>32,262</u>	<u>101,803</u>	<u>(366,006)</u>
Investing activities				
Capitalized development costs	(25,434)	-	(97,235)	-
Acquisition of property and equipment	-	(9,685)	(3,218)	(4,483)
	<u>(25,434)</u>	<u>(9,685)</u>	<u>(100,453)</u>	<u>(4,483)</u>
Financing activities				
Loan payable	(62,362)	(47,472)	10,853	(403,068)
Capital lease payments	-	(4,515)	-	(30,684)
	<u>(62,362)</u>	<u>(51,987)</u>	<u>10,853</u>	<u>(433,752)</u>
Decrease in cash and cash equivalents	6,617	(29,410)	12,203	(804,241)
Cash and cash equivalents, beginning of period	<u>94,794</u>	<u>134,954</u>	<u>89,208</u>	<u>909,785</u>
Cash and cash equivalents, end of period	\$ <u>101,411</u>	\$ <u>105,544</u>	\$ <u>101,411</u>	\$ <u>105,544</u>
Supplemental information				
Interest received	\$ 57	\$ 640	\$ 746	\$ 20,840
Interest paid	55,358	43,404	157,288	129,607

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.

For further information please contact:

ESI Entertainment Systems Inc.

Tony Greening

Chief Executive Officer

Telephone: (604) 299-6922 – ext 298

email: tgreening@esi.ca

Web: www.esi.ca