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News Release

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ESI Entertainment announces Fiscal 2011 Financial Results

BURNABY, B.C. June 27, 2011 - ESI Entertainment Systems Inc. ("ESI" or the "Company") (CNSX : ESY) reported today its financial and operational results for the fiscal year ended February 28, 2011 ("fiscal 2011"). All amounts are in Canadian dollars unless otherwise stated.

Fiscal 2011 Financial Highlights

The highlights for ESI, on a consolidated basis, are:

- Consolidated revenue decreased by 5% to \$3.408 million in 2011 compared to \$3.581 million in 2010;
- Consolidated gross profit increased by 76% to \$1.798 million for fiscal 2011 from \$1.023 million for fiscal 2010;
- Consolidated operating expenses decreased by 11% to \$2.938 million for fiscal 2011 from \$3.294 million for fiscal 2010.
- Consolidated net loss before income taxes decreased by 69% to \$0.734 million for fiscal 2011 compared to a loss of \$2.34 million for fiscal 2010.

Fiscal 2011 was a good year as our subsidiary companies continued to operate efficiently within a lower cost base and increased profitability. ESI Integrity maintained its operations at a profitable level and Citadel Commerce increased its revenues while holding down its costs to bring it to breakeven. Although our struggle to grow both Integrity and Citadel back to and beyond their former revenues and profitability are not over, we are pleased to report that the Company continues to grow back and recover market share. – Tony Greening, CEO

Selected Financial Information

	February 28, 2011	Year ended February 28, 2010	February 28, 2009
<i>(\$ 000) except for EPS</i>			
Revenue	3,408	3,581	3,954
Gross Profit	1,798	1,023	971
Total operating expenses	2,938	3,294	5,560
Net Loss	(734)	(2,340)	(5,068)
(Loss) earnings per share			
Basic and Diluted	(0.05)	(0.16)	(0.36)
Total Assets	5,238	6,222	6,052
Total long-term liabilities	519	913	1,324
Cash generated from operations	(194)	(984)	(4,467)

Consolidated Revenues

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

	Year ended		
<i>(\$ 000)</i>	February 28, 2011	February 28, 2010	% change
Integrity	1,642	2,453	(33.1%)
Citadel	1,766	1,128	56.6%
Total revenue	3,408	3,581	(4.8%)

Revenues from ESI Integrity decreased by 33% to \$1.642 million in fiscal 2011 from \$2.453 million in fiscal 2010 while Integrity Cost of Sales decreased by 37% resulting in an improvement in Gross Margin from 45% in fiscal 2010 to 48% in fiscal 2011. The decrease in revenues was predominantly due to a 68% decrease in consulting and work plan revenue as lotteries cut back on new games and promotions over the year. The strengthening Canadian dollar relative to the US dollar and Euro over fiscal 2011 also impacted revenues as over 76% of Integrity revenues are contracted for in either USD or EUR.

Citadel's revenues have increased by 57% to \$1.766 million in fiscal 2011 from \$1.128 million in fiscal 2010. Citadel's growth has come from obtaining new merchants and has significantly increased its payment processing volume.

Total consolidated revenue decreased by 4.8% to \$3.408 million in fiscal 2011 from \$3.581 million in fiscal 2010. The decrease was due to the reduction in revenue earned by ESI Integrity.

Consolidated Gross Profit

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

(\$ 000)	Year ended	
	February 28, 2011	February 28, 2010
Revenues	3,408	3,581
Direct costs	1,610	2,558
Gross profit	1,798	1,023
Gross profit margin	53%	29%

Consolidated gross profit increased from \$1.023 million in fiscal 2010 to \$1.798 million for fiscal 2011, a 76% increase. The increase in consolidated gross profit margin in fiscal 2011 was due to the additional revenue earned within the Citadel subsidiary and the reduction of direct costs for Citadel, as well as the improved operating profitability of ESI Integrity.

The gross profit margin by dollar and as a percentage of revenues for each subsidiary is listed below:

(\$ 000)	February 28, 2011		Year ended February 28, 2010		February 28, 2009	
		GP%		GP%		GP%
Integrity	787	48%	1,099	45%	1,129	35%
Citadel	1,011	57%	(76)	(7%)	(158)	(22%)
Total gross profit	1,798	53%	1,023	29%	971	25%

The profit margin for ESI Integrity increased during fiscal 2011 to 48% from 45% in fiscal 2010. The profit margin for Citadel improved from (7%) in fiscal 2010 to 57% in fiscal 2011.

Integrity's gross profit margin increased to 48% from 45% in the prior fiscal period. This was due to improved operating efficiencies implemented by Integrity in fiscal 2011. Integrity typically has a 40% to 43% gross profit margin.

Citadel's gross profit margin during fiscal 2011 was 57%, compared to (7%) for the prior fiscal year, reflecting the significant increase in revenue earned from its payment processing over the prior years and a reduction in direct costs.

ESI Integrity continues to provide reliable, profitable revenue and has a contracted backlog of \$1.07 million revenue extending forward over many years, as well as new customers and projects forecasted. Citadel has managed its operational costs in order to implement its strategy to maintain a sufficiently comprehensive base of personnel and facilities to enable it to develop new products, access new markets and support the growing business.

Product Development

Product development expenses were \$0.171 million in fiscal 2011, a decrease of 2% compared to \$0.175 million for the prior period. These expenditures are principally related to software development of the Citadel products. Integrity commenced the development of its next-generation software for Monitoring Systems in fiscal 2010, with completion expected in the second quarter of fiscal 2012. Note that Integrity capitalizes product development costs.

Sales, Marketing and Customer Service

Sales, marketing and customer service expenses were \$0.142 million for fiscal 2011, an increase of 5% compared to \$0.135 million for the prior period. The increase primarily related to the expansion of Integrity's sales and marketing activities.

General and Administrative

General and administrative expenses were \$2.57 million for fiscal 2011, a decrease of 8% compared to \$2.79 million for the prior period. This decrease resulted from reductions in the financial, human resources and information systems departments to manage the decreased activity within the Integrity division in particular.

Included in general and administrative expenses was non-cash stock compensation expense of \$92,992 for fiscal 2011, compared to approximately \$138,655 for fiscal 2010. Stock compensation expense decreased during fiscal 2011 as a result of minimum stock grants to the Company's employee base.

Amortization of Property and Equipment

Amortization expenses were \$53,281 for fiscal 2011, a decrease of 72% compared to \$187,298 for the prior period. The decrease is accounted for by the cut back in purchases of computer hardware and software, furniture and fixtures and leasehold improvements, consequent on the contraction of the Company's employee base.

Net Loss

Net loss for fiscal 2011 was \$0.734 million (\$0.05 loss per share - basic and diluted) compared to net loss of \$2.34 million (\$0.16 loss per share; basic and diluted) for fiscal 2010. This decrease was largely driven by the restructuring of the Citadel business unit with the reductions in costs and the increased revenue. The overall loss is due to the slower than planned growth of additional revenue expected from the Citadel business unit.

Total operating expenses decreased by 11% during fiscal 2011 from \$3.295 million in 2010 to \$2.938 million in fiscal 2011. The company has restructured to account for the reduction in consolidated revenues.

Liquidity and Capital Resources

ESI has historically financed its operations through the sale of equity and through cash generated by its operations.

During fiscal 2011, cash used in operating activities was (\$0.194) million compared to (\$0.984) million during fiscal 2010. Non-cash operating items in fiscal 2011 were lower than in fiscal 2010, principally as a result of less provision being taken for assets being amortized and the collection of outstanding accounts receivables.

Cash provided by financing activities totaled \$0.239 million during fiscal 2011 compared to cash provided by financing activities of \$0.291 million in fiscal 2010. The financing activities in fiscal 2011 include the Company's US\$2 million loan obtained in June 2008.

Overall, the net cash used in fiscal 2011 was \$0.071 million compared to net cash used of \$0.821 million in fiscal 2010.

Consolidated Financial Statements

NOTE TO READER: The following financial statements are extracted from the complete audited financial statements of the Company which have been filed with the Management's Discussion and Analysis. The Company's documents can be found on www.sedar.com to which the reader is referred.

Consolidated Balance Sheets

(expressed in Canadian dollars)

Years Ended	February 28, 2011	February 28, 2010
Assets		
Cash	\$ 17,742	\$ 89,208
Accounts receivable	210,160	361,745
Prepays and other	66,912	65,658
Citadel processing accounts (Note 3)	<u>4,277,252</u>	<u>4,937,401</u>
	4,572,066	5,454,012
Property and equipment (Note 4)	123,002	170,499
Deferred contract costs	382,682	550,362
Capitalized development costs (Note 5)	<u>160,255</u>	<u>47,532</u>
	\$ <u>5,238,005</u>	\$ <u>6,222,405</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 2,085,028	\$ 1,516,100
Loan Payable (Note 7)	2,081,567	2,174,733
Deferred revenue	485,367	582,230
Citadel processing liabilities (Note 3)	<u>5,321,142</u>	<u>5,649,239</u>
	9,973,104	9,922,302
Deferred revenue	<u>519,494</u>	<u>913,605</u>
	<u>10,492,598</u>	<u>10,835,907</u>
Shareholders' Equity (Deficiency)		
Share capital (Note 8)	9,957,969	9,957,969
Contributed surplus (Note 8)	4,560,531	4,467,539
Deficit	<u>(19,773,093)</u>	<u>(19,039,010)</u>
	<u>(5,254,593)</u>	<u>(4,613,502)</u>
	\$ <u>5,238,005</u>	\$ <u>6,222,405</u>

On behalf of the Board

"Tony Greening" Director
Tony Greening

"Michael Meeks" Director
Michael Meeks

**Consolidated Statements of Operations
and Comprehensive Loss and Deficit
(expressed in Canadian dollars)**

Years Ended	February 28, 2011	February 28, 2010
Revenues (Note 13)	\$ 3,408,325	\$ 3,581,478
Direct costs	<u>1,610,447</u>	<u>2,558,307</u>
Gross profit	<u>1,797,878</u>	<u>1,023,171</u>
Operating expenses		
Product development	171,452	175,463
Sales, marketing and customer service	142,460	135,043
General and administrative	2,570,927	2,797,099
Amortization of property and equipment	<u>53,281</u>	<u>187,298</u>
	<u>2,938,120</u>	<u>3,294,903</u>
Loss before under noted items	(1,140,242)	(2,271,732)
Other expenses (income)		
Foreign exchange (gain) loss	(581,718)	(109,597)
Interest income	(3,044)	(20,974)
Interest expense	241,288	175,170
Other	<u>(62,685)</u>	<u>23,968</u>
Net loss and comprehensive loss	\$ <u>(734,083)</u>	\$ <u>(2,340,299)</u>
Loss per share		
Basic and diluted	\$ (0.05)	\$ (0.16)
Weighted average basic and diluted common Shares outstanding	14,234,737	14,234,727
<hr/>		
Deficit, beginning of year	\$ (19,039,010)	\$ (16,698,711)
Net loss	<u>(734,083)</u>	<u>(2,340,299)</u>
Deficit, end of year	\$ (19,773,093)	\$ (19,039,010)

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

Years Ended	February 28, 2011	February 28, 2010
Cash flows provided by (used in)		
Operating activities		
Net loss	\$ (734,083)	\$ (2,340,299)
Items not affecting cash:		
Stock-based compensation (Note 9)	92,992	138,655
Amortization of property and equipment	53,281	187,298
Other	(2,567)	3,215
Net changes in non-cash operating items		
Accounts receivable	151,585	738,278
Prepays and other	(1,254)	40,855
Accounts payable and accrued liabilities	568,929	466,397
Deferred revenue	(490,974)	(364,224)
Deferred contract costs	167,680	145,872
	<u>(194,411)</u>	<u>(983,950)</u>
Investing activities		
Acquisition of property and equipment	(3,218)	(90,778)
Proceeds on disposal	-	10,500
Capitalized development costs	(112,723)	(47,532)
	<u>(115,941)</u>	<u>(127,810)</u>
Financing activities		
Capital lease payments	-	(30,684)
Loan payable	(93,166)	(389,971)
Change in Citadel processing liabilities	(328,097)	2,690,674
Change in Citadel processing accounts	660,149	(1,978,836)
	<u>238,886</u>	<u>291,183</u>
Decrease in cash and cash equivalents	(71,466)	(820,577)
Cash and cash equivalents, beginning of year	<u>89,208</u>	<u>909,785</u>
Cash and cash equivalents, end of year	<u>\$ 17,742</u>	<u>\$ 89,208</u>
Supplemental information		
Interest received	\$ 3,044	\$ 20,929
Interest paid	\$ 49,339	\$ 71,833

Forward- looking Statements

This news release contains 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. 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.

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, ecommerce 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.

For further information please contact:

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