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News Release

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ESI Entertainment announces Fiscal 2010 Financial Results

BURNABY, B.C. June 30, 2010 - ESI Entertainment Systems Inc. ("ESI" or the "Company") (CNSX : ESY) reported today its financial and operational results for the fiscal year ended February 28, 2010 ("fiscal 2010"). All amounts are in Canadian dollars unless otherwise stated.

Fiscal 2010 Financial Highlights

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

- Consolidated revenue decreased by 9% to \$3.6 million in 2010 compared to \$3.9 million in 2009;
- Consolidated gross profit increased by 5% to \$1.023 million for fiscal 2010 from \$0.971 million for fiscal 2009;
- Consolidated operating expenses decreased by 41% to \$3.3 million for fiscal 2010 from \$5.5 million for fiscal 2009.
- 54% decrease in consolidated net loss before income taxes to a loss of \$2.34 million for fiscal 2010 from a loss of \$5.07 million for fiscal 2009.
- Renegotiated terms of the US \$2 million loan so that it is no longer payable on a fixed date.

Selected Financial Information

Consolidated Revenues

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

(\$ 000)	Year ended		% change
	February 28, 2010	February 28, 2009	
Integrity	2,453	3,253	(24.6%)
Citadel	1,128	701	60.9%
Total revenue	3,581	3,954	(9.4%)

Total revenue decreased by 9.4% to \$3.581 million in fiscal 2010 from \$3.954 million in fiscal 2009. The decrease was due to the reduction in revenue earned by ESI Integrity.

Revenues from ESI Integrity decreased by 24% to \$2.5 million in fiscal 2010 from \$3.3 million in fiscal 2009. This is due to various favorable one-time adjustments in license fee revenue that benefited fiscal 2009 revenues, combined with a significant reduction in work plan and consulting revenues in fiscal 2010. ESI Integrity continues to increase sales and marketing efforts and expects to be awarded several new contracts during fiscal 2011.

Citadel's revenues have increased by 61% to \$1.128 million in fiscal 2010 from \$0.701 million in fiscal 2009. Citadel's growth has come from obtaining new merchants and has significantly increased its payment processing volume.

Consolidated Gross Profit

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

(\$ 000)	Year ended	
	February 28, 2010	February 28, 2009
Revenues	3,581	3,954
Direct costs	2,558	2,983
Gross profit	1,023	971
Gross profit margin	29%	25%

The increase in consolidated gross profit margin in fiscal 2010 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)	Years ended					
	February 28, 2010		February 28, 2009		February 29, 2008	
		GP%		GP%		GP%
Integrity	1,099	45%	1,129	35%	1,027	43%
Citadel	(76)	(7%)	(158)	(22%)	(509)	(58%)
Total gross profit	1,023	29%	971	25%	518	16%

Consolidated gross profit increased from \$0.971 million in fiscal 2009 to \$1.023 million for fiscal 2010, a 5% increase. The profit margin for Citadel improved from (22%) in fiscal 2009 to (7%) in fiscal 2010 reflecting the significant increase in revenue earned from its payment processing over the prior years. The profit margin for ESI Integrity increased during fiscal 2010 to 45% from 35% in fiscal 2009. This was due to improved operating performance in the deployment and support of systems for ESI Integrity in fiscal 2010.

Results of Operations

(\$ 000) except for EPS	Years ended		
	February 28, 2010	February 28, 2009	February 29, 2008
Revenue	3,581	3,954	3,248
Gross Profit	1,023	971	518
Total operating expenses	3,294	5,560	7,045
Net Loss	(2,340)	(5,068)	(7,200)
(Loss) earnings per share			
Basic and Diluted	(0.16)	(0.36)	(0.42)
Total Assets	6,934	6,052	7,653
Total long-term liabilities	913	1,324	3,485
Cash generated from operations	(272)	(4,467)	(7,047)

Product Development

Product development expenses were \$0.175 million in fiscal 2010, a decrease of 71% compared to \$0.604 million for the prior period. These expenditures are principally related to software development of the Citadel products. Integrity capitalizes product development costs.

Sales, Marketing and Customer Service

Sales, marketing and customer service expenses were \$0.135 million for fiscal 2010, a decrease of 82% compared to \$0.741 million for the prior period. The decrease primarily related to the contraction of Citadel's sales and marketing forces, reduced travel, and reduction of marketing activities relating to trade shows and promotional activities.

General and Administrative

General and administrative expenses were \$2.80 million for fiscal 2010, a decrease of 25% compared to \$3.76 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 Citadel division in particular.

Included in general and administrative expenses was non-cash stock compensation expense of approximately \$138,655 for fiscal 2010, compared to approximately \$230,712 for fiscal 2009. Stock compensation expense decreased during fiscal 2010 as a result of minimum stock grants to the Company's employee base.

Amortization of Property and Equipment

Amortization expenses were \$187,298 for fiscal 2010, a decrease of 59% compared to \$453,205 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 2010 was \$2.34 million (\$0.16 loss per share - basic and diluted) compared to net loss of \$5.1 million (\$0.36 earnings per share; basic and diluted) for fiscal 2009. This decrease was largely driven by the restructuring of the Citadel business unit with the reductions in staffing and rented premises as well as the legal and auditing costs associated with the significant reduction of that portion of the Company's business.

Total operating expenses decreased by 41% during fiscal 2010 from \$5.56 million in 2009 to \$3.29 million in fiscal 2010. The company has restructured to account for the reduction in consolidated revenues.

ESI Integrity continues to provide reliable, profitable revenue and has a contracted backlog of \$1.525 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 to support the growing business.

Liquidity and Capital Resources

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

During fiscal 2010, cash used in operating activities was (\$0.272) million compared to (\$4.467) million during fiscal 2009.

Cash used by financing activities totaled (\$0.420) million during fiscal 2010 compared to cash provided by financing activities of \$2.349 million in fiscal 2009. The financing activities in fiscal 2009 include the Company's US\$2 million loan obtained in June 2008.

Overall, the net cash used in fiscal 2010 was \$0.821 million compared to net cash used of \$2.133 million in fiscal 2009.

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, 2010	February 28, 2009
Assets		
Cash and cash equivalents	\$ 89,208	\$ 909,785
Accounts receivable	1,073,580	1,100,023
Prepays and other	65,658	106,513
Citadel processing accounts	<u>4,937,401</u>	<u>2,958,565</u>
	6,165,847	5,074,886
Property and equipment	170,499	280,725
Deferred contract costs	550,362	696,234
Capitalized development costs	<u>47,532</u>	<u>-</u>
	\$ <u>6,934,240</u>	\$ <u>6,051,845</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 2,227,935	\$ 1,049,700
Loan Payable	2,174,733	2,564,704
Capital lease obligations	-	30,684
Deferred revenue	582,230	535,667
Citadel processing liabilities	<u>5,649,239</u>	<u>2,958,565</u>
	10,634,137	7,139,320
Deferred revenue	<u>913,605</u>	<u>1,324,392</u>
	11,547,742	8,463,712
Shareholders' Equity (Deficiency)		
Capital stock	9,957,969	9,957,959
Contributed surplus	4,467,539	4,328,885
Deficit	<u>(19,039,010)</u>	<u>(16,698,711)</u>
	<u>(4,613,502)</u>	<u>(2,411,867)</u>
	\$ <u>6,934,240</u>	\$ <u>6,051,845</u>

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

Years Ended	February 28, 2010	February 28, 2009
Revenues	\$ 3,581,478	\$ 3,954,820
Direct costs	<u>2,558,307</u>	<u>2,983,798</u>
Gross profit	<u>1,023,171</u>	<u>971,022</u>
Operating expenses		
Product development	175,463	604,070
Sales, marketing and customer service	135,043	741,212
General and administrative	2,797,099	3,761,514
Amortization of property and equipment	<u>187,298</u>	<u>453,205</u>
	<u>3,294,903</u>	<u>5,560,001</u>
Loss before under noted items	(2,271,732)	(4,588,979)
Other expenses (income)		
Foreign exchange (gain) loss	(109,597)	383,641
Interest income	(20,974)	(41,536)
Interest expense	175,170	128,913
Other	<u>23,968</u>	<u>-</u>
Loss before income taxes	<u>(2,340,299)</u>	<u>(5,059,997)</u>
Provision for income taxes	<u>-</u>	<u>8,529</u>
Net loss and comprehensive loss	<u>\$ (2,340,299)</u>	<u>\$ (5,068,526)</u>
Loss per share		
Basic and diluted	\$ (0.16)	\$ (0.36)
Deficit, beginning of year	\$ (16,698,711)	\$ (11,630,185)
Net loss	<u>(2,340,299)</u>	<u>(5,068,526)</u>
Deficit and accumulated other comprehensive deficit, end of year	<u>\$ (19,039,010)</u>	<u>\$ (16,698,711)</u>
Weighted average basic and diluted common shares outstanding	# 14,234,727	# 14,234,727

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

Years Ended	February 28, 2010	February 28, 2009
Cash flows provided by (used in)		
Operating activities		
Net loss	\$ (2,340,299)	\$ (5,068,526)
Items not affecting cash:		
Stock-based compensation	138,655	230,712
Amortization of property and equipment	187,298	453,205
Other	(13,395)	-
Net changes in non-cash operating items		
Accounts receivable	26,443	11,192
Prepays and other	40,855	338,062
Accounts payable and accrued liabilities	1,178,235	229,208
Allowance for bad debts	-	(311,500)
Deferred revenue	364,224	(770,186)
Deferred contract costs	145,872	420,227
	<u>(272,112)</u>	<u>(4,467,606)</u>
Investing activities		
Acquisition of property and equipment	(90,778)	(15,061)
Proceeds on disposal	10,500	-
Capitalized development costs	(47,532)	-
	<u>(127,810)</u>	<u>(15,061)</u>
Financing activities		
Capital lease payments	(30,684)	(214,715)
Loan payable	(389,971)	2,564,704
	<u>(420,655)</u>	<u>2,349,989</u>
Decrease in cash and cash equivalents	(820,577)	(2,132,678)
Cash and cash equivalents, beginning of year	<u>909,785</u>	<u>3,042,463</u>
Cash and cash equivalents, end of year	<u>\$ 89,208</u>	<u>\$ 909,785</u>
Supplemental information		
Interest received	\$ 20,929	\$ 41,536
Interest paid	\$ 175,168	\$ 128,913
Income taxes paid	\$ -	\$ 8,529

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.

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