

iCash Payment Systems Limited

ABN 87 061 041 281



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Company Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Revised Earnings Guidance for FY 2011

- Full year revenue forecast remains in line with previous guidance
- EBITDA at \$14.8 million up 124% on prior year, down 14% on prior guidance
- Underlying NPAT \$9.1million up 107% on prior year, down 24% on prior guidance
- Increase in underlying adjustments for 1H11 – increased from \$0.7 million to \$2.4 million for full year

iCash Payment Systems Limited (ASX code: ICP) today updated earnings guidance for the 2010/11 financial year (FY 2011)

In October 2010, ICP issued earnings guidance for FY 2011. Over the past six months the prevailing conditions in Australia have continued to create a challenging market environment. Our full year revenue forecast remains in line with previously issued guidance. Previous guidance was \$73 million including \$3 million of intercompany sales which is now eliminated.

Continued strong revenue performance, on a year on year basis, has been partially offset by increased expenses relating to:

- System upgrades in preparation for significant fleet placements and expansion
- New product development

As a result iCash's underlying earnings before interest, tax, depreciation and amortisation (EBITDA) is expected to be \$14.8 million on a consolidated basis.

The current guidance continues to reflect strong increases in both revenue and EBITDA compared with the previous year.

AUD \$M	1H 2010	2H 2010	FY 2010	1H 2011	2H 2011 F	FY 2011 F
Revenue	14.4	28.0	42.4	38.4	31.6	70.0
EBITDA ^	3.1	3.5	6.6	7.7	7.1	14.8
NPAT consolidated	2.0	2.4	4.4	4.4	4.7	9.1
NPAT to members ^	1.8	1.4	3.2	2.6	2.2	4.8
Statutory NPAT	1.8	1.4	3.2	1.9	0.5	2.4

^ Underlying measure excludes non-recurring items of \$2.4 million after tax

iCash's Chairman, Mr James Manny commented: "The Group's outlook remains healthy with a significant forward order book in Korea and a strengthening presence elsewhere in Asia's high cash dependent economies."

He commented further, "While the domestic market conditions continue to be soft, the Board's strategy of pursuing an Asian growth platform remains robust. We are starting to see the benefits of pursuing strong recurring revenue models and strategies that decouple earnings from uncertain retail cycles".

Underlying Adjustments

The Board has reviewed contingent and other liabilities and resolved to expense a series of non-recurring costs. Additionally, the ATO and iCash have finalised prior year GST adjustments. The underlying NPAT has been adjusted to include:

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|--|---------------|
| • GST regulation amendment and associated costs (net of tax) | \$0.9 million |
| • Non-recurring corporate costs (net of tax) | \$1.5 million |

GST regulation amendment

As previously advised in the Annual Report 2010, on 3 March 2009, the Reserve Bank of Australia amended the A New Tax System (Goods and Services Tax) regulations 1999 (the Principal Regulations) to define the supply of certain automatic teller machine (ATM) services as a "financial supply".

iCash sought advice and subsequently made a voluntary disclosure of its tax treatment and the potential GST understatement. All costs associated with this review are included in the noted amount. No further issues are anticipated in this matter.

It has been acknowledged the changes in GST regulations had created a new level of complexity, particularly for iCash due to its international and broader market operations. However, the changes may potentially have significant repercussions within the ATM industry as a wider review of GST treatment is undertaken. iCash is positioned to capitalise on any resulting market re-alignment.

Non-recurring Corporate Costs

The December 2010 Half Year Results included non-recurring corporate costs (net of tax) incurred in connection with maximising the value of the Group's investment in NEOICP of \$0.7 million. A review of costs expected to be incurred in finalising this initiative, identified additional costs that will be expensed in 2nd half 2011 of \$0.8 million after tax

Australian Operations

iCash has continued to grow its fleet and its transaction volumes. The Cashpod provides iCash customers with an attractive, high functionality ATM for independent retailers. However, we have experienced some margin compression on new business due to aggressive market discounting and increased merchant rebates.

While the outlook in Australia remains cautious, the Group has invested in platforms that will support significant fleet placements and alternative revenue models. This positions the Group advantageously for profitable growth as the market continues to consolidate and differentiate between value propositions.

Korean Operations

The forward order book remains strong, currently exceeding \$40 million. Margins remain consistent.

The full year revenue growth will exceed 75%, with production continuing to be maintained at 500+ units per month.

Your Board remains confident of strong revenue and profit growth in this market and plan to leverage off existing contractual relationships to increase its footprint across Asia in the second half of this financial year and beyond.

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Disclaimer

The Directors have used reasonable care in the preparation of the FY11 forecast and consider their assumptions to be reasonable.

Undue reliance should not be placed on the forecast financial information. Forecasts by their nature are subject to uncertainties and unexpected events outside the control of the Directors. Any change to the basis upon which the forecasts have been prepared could be either materially positive or materially negative to actual financial performance. The Directors are unable to warrant and therefore do not warrant the achievement of the FY11 forecast.

About iCash Payment Systems Limited

iCash is a vertically integrated ATM and electronic payments business and has designed, manufactured and sold more than 13,000 installations in Asia Pacific since 2001. Our global product range includes ATMs, multi-function kiosks, automated cash sorting devices, complete public transport ATM solutions, switching and software solutions, and integrated settlement and back office automation systems.

Our global Head Office is in Sydney supporting the ownership of an Australia-wide ATM network of over 1,500 machines. Other services include repair and maintenance facilities, training and on-going technical support. Our payments infrastructure includes transaction processing, switching, and advanced software payment solutions that augment our ATMs.

The Company's South Korean operations – home to iCash's research and development facilities, underpins the company's expansion across Australasia.

www.icashpayments.com.au

APPENDIX

Basis of Preparation of FY11 Forecast

The FY11 forecast is based on:

- The Group's operating performance to 31 December 2010
- Full year forecast to 30 June 2011
- The Directors' assessment of the current and likely future operating conditions
- The implementation of the Group's current business strategies and detailed plans prepared on a continuing business basis
- A number of material best estimate assumptions as determined by the Directors.

Assumptions

The general assumptions listed below should be read in conjunction with the risk factors set out below:

- No significant change in prevailing economic conditions in the markets in which iCash operates
- No significant changes in the competitive environment
- Current economic interest in neoICP of 47.11%
- Korean Won/Australian Dollar exchange rate of 1,100KRW/A\$1
- No significant industrial, operational, contractual or political disturbances affecting the continuity of operations
- No material amendment to, termination or loss of material agreements relating to the business
- No significant changes in statutory, legal, or regulatory requirements that would have a material impact on operations
- No material changes in Australian Accounting Standards that would have a material impact on the financial performance of iCash, its financial position or its cash flows
- No material contingent liabilities to the detriment of iCash

Risks

The following risks might affect the future operating and financial performance of iCash, including general risks associated with any form of business and specific risks associated with iCash.

Economic Conditions

Adverse changes in economic conditions are outside the control of iCash, including interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates.

Regulatory Risks

iCash is exposed to any change in the regulatory conditions under which it operates including:

- Taxation laws and policies
- Accounting laws, policies, standards and practices

Competition

iCash faces competition. iCash might lose market share with consequent adverse effect upon operating and financial performance if there were new entrants or a change in strategy by existing competitors.

Exchange Rates

iCash faces exposure to the Korean Won through its ownership of Neo. The movement in the KRW/AUD exchange rate may impact the earnings. The Korean business has international sourcing arrangements that are affected by the movement of the KRW to other Asian currencies.

Reliance on Key Personnel

The responsibility of overseeing the day to day operations and the strategic management of iCash is concentrated amongst a small number of key employees. One or a number of those key employees might cease employment with iCash. The loss of any such key employees could have a detrimental impact.

Technology

Much of the business of iCash is dependent on various technologies. It is therefore financially and operationally at risk to the extent that:

- Its technologies fail or become impaired or obsolete
- Competitors introduce superior technologies