



CHAIRMAN'S REPORT

For the full year ended 30 June 2011

- **CABCHARGE RETURNS FULL YEAR NORMALISED NET PROFIT OF \$61.1M, UP 6.1%. STATUTORY FULL YEAR NET PROFIT OF \$46.1M.**
- **DIVIDEND INCREASED TO 20c FOR 2H2011 FULLY FRANKED, COMPARED TO 10c FOR 1H2011.**
- **POSITIVE OUTLOOK WITHIN ALL ASPECTS OF THE GROUP:**
 - . **Rollout of the Cabcharge contactless FASTcard now complete.**
 - . **EMV software certified which means Cabcharge's EFTPO terminals will provide the highest level of security available and be able to process all contactless bank issued and third party cards.**
 - . **Ongoing diversification strategy effective as evident by growth in Taxi Services, EFT Solutions continuing to win major software contracts and sustained expansion of bus services in NSW and Victoria.**

I am very pleased to report that the Cabcharge Group's total turnover increased from \$1.097 billion to \$1.132 billion, up 3.2% from last year's result. Group revenue grew from \$174.5m to \$184.5m, an increase of 5.8%. These results are particularly encouraging given the ongoing difficult economic environment, with overall corporate activity sluggish and business and consumer confidence at an extremely low level. Our Group's overall performance in tough times demonstrates the ongoing resilience of our business model including our diversification strategy.

Before taking into account the ACCC settlement (\$15m) the Company achieved a net profit after tax of \$61.1m for the year, an increase of 6.1%. The settlement and associated legal costs have of course resulted in decreases in our EBITDA, EBIT and NPAT. Without these, our EBITDA would have increased by 7.3% and our EBIT by 5.8%. Vigilance in the Compliance Program arising out of the proceedings has ensured that we have now established all the steps necessary to meet the compliance regime as agreed in the Federal Court Orders and ongoing compliance will automatically flow.

During the year, turnover in our core payments business increased to \$1.033 billion, up 2.8% on 2010. Cabcharge account turnover increased by 5.8% to \$423m. Turnover from bank issued cards increased to \$473m, up 3.7%. Turnover from third party cards declined. We believe this is partly due to competition from banks for corporate card business but we are working constructively with AMEX to strengthen our long term relationship.

Taxi Services revenue increased by 8.4%, attributable to an increase in the number of taxis electing to use our Network services in both NSW and Victoria, with additional licences being issued in both States.

Diversification, through Taxi Services and more particularly joint ventures into the Bus Business, has been an important and successful part of our Group strategy. The combined contribution from our 49% holding in our joint venture associates – CDC and CityFleet UK – increased to \$14.9m, up 16.6% on last year, contributing 24.4% to the Group's normalised profit. We are particularly pleased with the progress of CDC with its growth in services and improvements in operational management. The equity accounted NPAT contribution from CDC is up by 20.9% to \$13.2m.

The equity accounted NPAT contribution from the UK was \$1.7m compared to \$1.8m in 2010. It was another challenging year for taxi services due to the continuing weak UK economy. The result also reflects the translation effect of the stronger Australian dollar.

The resilience of the Cabcharge results in a volatile economic environment is also due to our continued focus on product innovation with investment in leading technology and determination to sustain growth with our diversified business program.

In our core payment system business, the contactless Cabcharge FASTcard and the new EFTPOS terminals are proving popular with taxi drivers and consumers. In Taxi Services, the rollout of the MTData dispatch technology replaced ageing, expensive to maintain equipment for our fleets and has been well received by taxi operators. Sales of the new Europa designed Askari in-vehicle camera are also contributing to increased revenue. We are confident of continued growth as a result of our marketing activities for these products and services along with our well established technology strategy to be leading market innovators.

The rollout of the Contactless EFTPOS terminals and MTData dispatch system has increased our depreciation and net debt to equity ratio which was 40.4% at 30 June 2011.

The Board continues with its prudent approach to financial management. However, in view of our outstanding progress made to date and opportunities on the horizon that can only serve to enhance the Group's future results we have increased the fully franked dividend for 2H11 to 20 cents with a record date of 30 September 2011 and a payment date of 28 October 2011.

Operations Review

Great progress has been made with our introduction of contactless technology to the Taxi Industry across Australia, putting Cabcharge at the forefront of such development nationally. Contactless technology is fast, safe and easy to use for both consumers and taxi drivers.

The contactless FASTcard was successfully launched and by 30 May this year, ahead of schedule, all existing Cabcharge account holders received their new card, replacing the Cabcharge silver card.

The rollout of the new Cabcharge terminals was completed and provides the platform for processing all bank issued contactless cards. The next stage involves activation of EMV capability which will process fare payments from all cards displaying the MasterCard PayPass logo or Visa payWave logo simply by tapping the card against the contactless symbol on the terminal. Activation commenced in June 2011 and currently over 35% of taxis in Australia have this capacity. We are very pleased with the growth in the number of contactless transactions to date. We are currently working with AMEX to meet their scheduled deadlines in implementing contactless functionality for their cards.

As well as the core booking and dispatch services, other products and services provided by our Networks to taxi operators proved very popular including our expanded range of insurance products, vehicle funding and taxi related in-vehicle equipment. Stratacom of course is kept extremely busy with fit outs of new and replacement taxis in addition to “decabbing”. Stratacom also fits Verifeye and Askari cameras and a range of meters including Novax, Schmidt, Cabcharge and Digitax.

Our Europa designed Askari in-vehicle camera was introduced during the year and, to the best of our knowledge, is currently the only camera in NSW which has been independently certified as complying with Transport for NSW’s specifications. We are seeking similar accreditation in Victoria which has recently upgraded their camera specification and are in close contact with other States and Territories currently reviewing their camera specifications.

We also continued to expand our services to consumers. Following the popularity of our innovative and Award-winning iPhone taxi booking application which was developed in-house, we were the first to market with Android and Windows smart phone applications. It is these types of products that make our subsidiary Networks popular with both consumers and our Operators and Drivers.

Our joint venture into the Private Bus Industry has not only been a great success but has shown us that diversification combined with the necessary level of investment in infrastructure and technology will result in significant growth. The CDC fleet in NSW and Victoria grew by 110 buses to 1,548 buses at 30 June 2011. In NSW, the service kilometres under the Government bus contracts continued to increase with the introduction of the Hunter Valley Buses Integrated Bus Networks in November 2010 and the Metrobus services in Sydney – the M61 service between Castle Hill and the City in December 2010 and the M60 service between Parramatta and Hornsby in March 2011. In Victoria, the urban contracts for Ballarat and Geelong were successfully renegotiated with 7+3 year terms which started on 1 July 2011. In both States we have a strong focus on charter work which has and will continue to result in significant growth for this part of the business.

CDC also recently received the 2011 Australian Business Award for Project Management in the Road Passenger Transport Industry. This Award for the St Mary’s and Foundry Road depot developments recognised the outstanding achievement of CDC in improving operational capacity which facilitated improvement of bus services for the whole community. New depots and improvements at other depots also provide a much improved working environment for our drivers and administrative staff. CDC is determined to upgrade other major depots to the standards we believe are in the best interests of cementing our role as a major public transport provider with high standards of maintenance and caring for our drivers and depot staff.

Outlook

Despite mixed reviews of the economy for the short term, both in Australia and globally we are confident about the prospects of our growth.

In the core payments business we expect to benefit from both increasing use of Cabcharge products and more general growth as a direct result of consumers becoming more familiar with the new contactless technology and enjoying the convenience of contactless cards over cash.

With the major card issuers and banks focused on encouraging the use of cards with contactless technology for low value transactions under \$100, we expect to see

increasing consumer acceptance of this form of rapid payment for taxi fares over time in preference to cash. Both Mastercard and Visa have been vigorously marketing the use of contactless cards, with the latest television ads featuring their use in taxis. We expect AMEX to follow. This complements our own efforts and will assist in educating consumers, account holders and taxi drivers on the benefits and security of contactless technology. In relation to Cabcharge account holders we are adopting a much more proactive approach given our success to date.

Our innovation has continued with our contactless FASTeTICKET which has been developed to drive growth for similar reasons. Field piloting is in progress and we will be gradually increasing issuance with 10 million tickets on order along with customised chip packaging together with a special printing process to enhance security. It will be another world first in the Taxi Industry and we anticipate considerable interest from other countries, particularly because of the security features.

In addition to enabling processing of contactless Mastercard and Visa cards, EMV activation enables Cabcharge EFTPOS terminals to process China Unionpay cards. More than one billion of these cards are on issue. With over 360,000 Chinese visitors to Australia each year and 130,000 Chinese students studying here, this is a great opportunity for Cabcharge and the Taxi Industry. Revenue growth within our payments system will also be aided by fare increases across most of Australia – usually in line with the CPI.

We plan to continue to tender and win more software contracts through EFT Solutions which helps ensure the Cabcharge Payment System remains at the forefront of technology within the Industry. Cabcharge is no longer synonymous only with electronic payment systems for taxis. Our reputation for software development is growing as is evident from the contracts won to date, including three of the four major banks, two major retailers and Australia Post to name a few.

In Taxi Services we expect to see continued fleet growth as a result of increased taxi licences in both States. In Melbourne, the rollout of the 530 licenses previously announced is not complete. In NSW, there was a tender at the end of June which will result in a net increase of 197 licenses to be rolled out by the end of December 2012. 50% of the NSW licenses on tender are restricted to experienced taxi drivers. These increases will translate to revenue growth in both core and associated services and products from those who elect to join our Networks. In addition we expect growth in camera sales as we gain certification in other major States.

Even though the UK experienced another year of difficult business conditions, CityFleet remained profitable with no external borrowings. Although we expected an earlier impact, we remain optimistic that earnings will improve as the Olympics draw closer.

We expect the NPAT contribution from CDC to again increase in the coming year as a result of the full year impact of new services and the growth in passenger demand. In 2011, there was patronage growth in Sydney of almost 10%. There will be continuing growth due to land releases in the north west recently announced by the Premier and the M2 bus trip to the city still being faster than other alternatives. In Victoria, the majority of our services are also in areas with growing populations.

We were sorry to see the Hon. Neville Wran AC QC and Mr Kua Hong Pak retire from the Board during the year – their contribution should never be underestimated. However we have and continue to search for replacements. We are delighted with the appointment of Mr Russell Balding as a Director. He brings a wealth of public and private sector experience in transport, communication and tourism.

The Board believes that the path Cabcharge has chosen will secure its future and we will continue to prosper from a growing number of revenue streams. Our contactless technology platform and product innovation, complemented by our own marketing efforts and those of the major card issuers, strengthens our position as market leader not only in the taxi payments business but in the electronic payments market generally. In addition both the Taxi Services business and CDC are growing. Our balance sheet remains strong which enables us to continue to seek additional suitable opportunities for further growth including via acquisitions. There are some exciting opportunities for potential acquisitions in the Bus business and with our joint venture partner we will examine each opportunity and tender where we believe such acquisitions add value to our respective Companies.

I would like to thank all those who have contributed to our success in the past year and are helping to implement our future growth strategy.



Reg Kermode
Executive Chairman
25 August 2011

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