



CHAIRMAN'S REPORT For the full year ended 30 June 2012

- **CABCHARGE GROUP REVENUE INCREASED TO \$192M, UP 4.2% ON FY11.**
- **REPORTED NET PROFIT AFTER TAX OF \$60M, UP 30% ON FY11.**
- **FULLY FRANKED DIVIDEND INCREASED TO 35c, UP 16.7% ON FY11.**
- **POSITIVE OUTLOOK FOR CONTINUED GROWTH FROM:**
 - **Innovation and uptake of contactless technology in the Cabcharge Payment System;**
 - **Geographic expansion of Taxi Services; and**
 - **Bus acquisition opportunities.**

I am pleased to report that the Cabcharge Group's revenue increased to \$192m in FY12, up 4.2% on FY11. Our investment in leading technology and product innovation is delivering what we said it would and we have established a strong platform for future growth.

The Company achieved a healthy normalised net profit after tax of \$68.7m for the year, up 12.3%. This excludes the \$15m ACCC settlement expense in FY11 and the \$8.7m impairment charge on our investment in our Associate CityFleet UK in 1H12. Increases in operating expenses are in line with growth in our operating revenues and it should also be noted that the Company did not pay any bonuses to the KMPs during the year. Our reported NPAT for the year is \$60m, up 30% on FY11.

Diversification into the Bus Industry continues to be an important and successful part of our sustainable growth strategy and is gathering momentum. The equity accounted NPAT contribution from our Associate, ComfortDelGro Cabcharge Pty Ltd (CDC), for the year grew to \$17.8m, 25.9% of the Group's underlying profit.

As expected, the completion of the rollout of the new dispatch system for all our Taxi fleets, combined with our investment in the contactless EFTPOS terminals increased our interest and depreciation costs. The net debt to equity ratio was 36.0% at 30 June 2012, compared to 40.4% at 30 June 2011.

The Board is confident that current and planned initiatives will enhance the Group's future results. Hence, the fully franked dividend for 2H12 will be 18 cents, with a record date of 28 September 2012 and a payment date of 31 October 2012. This brings the full year dividend for 2012 to 35 cents, fully franked, compared to 30 cents in FY11.

Operations Review

Taxi related services revenue of \$192.4m is mainly from taxi service fee income and member taxi related services income.

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Taxi service fee income, derived from taxi payments turnover through the Cabcharge Payment System, increased to \$89.6m from \$87.3m in FY11, up 2.6%. During the year, taxi payments turnover increased to \$1.05 billion, up 1.7% on FY11. As well as the usual lower turnover in the second half due to the January holiday season and the number of public holidays, turnover for 2H12 was impacted by softer economic conditions. Cabcharge account turnover increased by 3.5% to \$438m for the year, a positive result for our sales and marketing efforts to date under the circumstances. Turnover from bank issued cards increased to \$490m, up 3.7%, with growing use of contactless cards.

Great progress has been made with our introduction of contactless technology. Full Australia wide activation of EMV capability was completed for all taxis with contactless Cabcharge EFTPOS terminals (over 20,000). In addition to the Cabcharge **FASTCARD**, this enables these terminals to 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. We are very pleased with the number of contactless transactions to date, with Visa and MasterCard contactless transactions, in particular, growing strongly. We recently passed the 2 million contactless transactions mark. We continue to stress the uniqueness and security of the Cabcharge system compared to the experience of other systems such as less secure e-commerce websites which have been accessed by “hackers” or are an easy target for skimmers.

There have been around 500,000 contactless transactions each for both MasterCard and Visa since 1 January 2012. Currently 20% of all MasterCard and Visa transactions processed via our terminals are contactless and this is growing rapidly. As expected, contactless transactions are beginning to replace cash. For example, Visa contactless transactions on the weekend jump to 25% of all Visa transactions.

We have also had a steady increase in the take up rate on the Cabcharge **FASTCARD** since its release with its ease of use, speed and security being particularly popular with cardholders. In addition, Gift card sales increased by 15% during the year. National rollout of the **FASTeTICKET** software has commenced.

We are reaping continuing rewards from our established reputation in payments software development. As well as its work for Cabcharge, EFT Solutions has a number of significant projects with external clients including software development for two major retailers with approximately 24,000 EFTPOS terminals in total Australia wide. The additional security and payment transparency provided by the Cabcharge Payments System was one of the major reasons China UnionPay, the world’s fastest growing payment card, recently signed a Memorandum of Understanding with us to enable their card to be used in Taxis across Australia. In addition, our demonstrated expertise in contactless cards helped us to successfully re-tender for the Queensland Government Taxi Subsidy Scheme contract.

Members taxi related services revenue increased by 7.6% to \$90m mainly due to an increase in the number of taxis electing to use our Taxi Network services in both NSW and Victoria, with additional licences being issued in both States. Our bureau services also expanded. As well as the core booking and dispatch services, sales of our suite of other products and services grew.

We continue to work with the Taxi Industry to improve services to the community. We were pleased that after a thorough regulatory review process, the purchase of AusTaxis Pty Ltd proceeded, enabling the provision of a more integrated service to the transport disadvantaged in Sydney. In addition, the number of WATS vehicles in our Sydney and Newcastle fleets grew.

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Turning to the results from our Associates, we are particularly pleased with the progress of CDC with its growth in Bus and Coach services in both NSW and Victoria. Compared to FY11, the equity accounted NPAT contribution from CDC is up by \$4.6m, an increase of 34.4%. In particular, the results reflect the impact of two additional new bus routes and growth bus services in Sydney which increased the revenue under the bus contracts together with a similar level of revenue growth in Victoria.

The equity accounted NPAT contribution from CityFleet UK was maintained at \$1.7m. The Board believes that the business, with its strong balance sheet, is still well positioned to benefit from economic strengthening in the medium to long term.

Outlook

We are still cautiously confident about the prospects for our growth based on the success to date of our initiatives in the payments part of our business and recent acquisitions. While economic conditions obviously have an impact, the resilience of the business is being strengthened by the growth of the bus business and the expansion of taxi related services. The ongoing resilience of our core payments business lies in our technology which we continue to develop to maintain our competitive advantage in a fast changing marketplace.

In relation to taxi service fee income we expect to benefit from both increasing use of Cabcharge products and more general taxi payments turnover growth as a direct result of consumers enjoying the convenience of contactless cards over cash. It is worth noting that EFTPOS Payments Australia Limited (EPAL), which is responsible for Australian debit cards, is due to commence issuing cards with contactless technology through the banks in 2013. In relation to Cabcharge products, we will be targeting potential new corporate account holders through selective radio and magazine advertising and direct promotions. We will also be commencing a Gift Card promotion, initially through 500 retail outlets across Australia. These initiatives are designed to both increase sales and expose the Cabcharge brand and products to new markets.

To further encourage electronic processing of taxi payments and reduce docket use and associated costs, we have introduced a trial scheme in Sydney where a bonus is paid on all electronic payments through the Cabcharge EFTPOS System subject to the shift total for debit, credit and charge cards being higher than the total of Cabcharge cards and eTICKETS. This was piloted in June, launched in July and there are now over 3,000 terminals involved across all Sydney based taxi networks. Participation is voluntary, based on free choice and in no way mandated.

We have commenced the first production run of the IPP (now known as Fareway Plus) which was announced at last year's AGM and shown at the 2012 Half Yearly Results presentation. Fareway Plus will replace the existing ageing in-taxi payment engines. As well as enabling fast EFTPOS payment transactions, it allows additional applications to be downloaded. The first of these will be the meter application which will automatically record both the fare and any tolls and have "over the air" fare and toll updates. This will make fare calculation much easier for drivers, increase transparency for consumers and reduce the potential for disputes. Fareway Plus costs less than the current engine and through the incorporation of other features such as a contactless reader will support new Near Field Communication (NFC) payment options which can't be done through standard terminals.

There will be further growth in member taxi related services income following completion of the acquisition of Yellow Cabs Adelaide on 2 July 2012 after clearing the necessary regulatory processes. We are working to grow the business and improve

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services to Taxi Operators and the Adelaide community. Yellow Cabs currently provides network services to 276 cabs and we plan to provide a similar range of products and services as we do in other States. For example, the new website and mobile taxi booking applications provide more options for passengers. Similar applications have proved extremely popular in NSW and Victoria.

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, growth in passenger demand and the planned acquisition of Deane's Bus Operations, announced on 2 August 2012. The acquisition, subject to the necessary regulatory approvals, will extend CDC operations into another rapidly growing region and increase its total fleet to over 1,600 buses.

Several Transport for NSW bus contracts are currently open for tender. Two of CDC's three NSW metropolitan regions are in this first tranche with all other metropolitan regions to be tendered in 2013. This provides an opportunity for CDC to tender for additional area coverage if they so desire. There are no changes to the existing Victorian contracts which have between six and nine years to run. Expressions of interest for Route & Orbital Bus Services in Melbourne involving over 500 buses closed on 19 July 2012. There are no indications as yet on the names or numbers of interested parties who may be chosen to participate in a Request for Tenders process.

The Board believes we are well placed for the future. Cabcharge has changed markedly since it listed in 1999. It is a significant financial services, payments technology and ground transport player in Australia, no longer solely a taxi payments business. Diversification provides additional opportunities for sustainable growth and is gathering momentum. We are confident that our ability to look ahead, our agility and our understanding of stakeholder needs will enable us to positively respond to challenges in the industries in which we operate, as we have done in the past.

Like many other businesses we expect to face some headwinds in the immediate future, in particular with our UK Associate. Our focus will be on growing revenue where we can, controlling costs and looking for further efficiencies while improving services for consumers and the Taxi Industry. Finally, our balance sheet remains strong which enables us to continue to seek additional suitable opportunities for further growth including via acquisitions.

I would like to thank all those who have contributed to our ongoing success and are helping to support our growth strategy.

Reg Kermode
Executive Chairman
23 August 2012

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