

Consolidated Interim Financial Statements



For the three and six months ended June 30, 2010

DirectCash Income Fund
Consolidated Balance Sheets

	June 30 2010	December 31 2009
Assets	(unaudited)	
Current assets:		
Cash in circulation	\$ 25,604,086	\$ 25,885,860
Restricted funds (note 3)	13,334,439	10,325,563
Accounts receivable	2,569,264	2,009,962
Loans receivable (note 4)	609,357	717,880
Inventories (note 5)	3,542,915	3,484,065
Prepaid expenses	843,965	378,622
	46,504,026	42,801,952
Future income tax (note 12)	6,132,037	825,628
Equipment (note 6)	7,411,189	6,865,439
Intangible and other assets (note 7)	15,692,443	16,893,360
Goodwill	52,365,652	52,365,652
	\$ 128,105,346	\$ 119,752,031
Liabilities and Unitholders' equity		
Current liabilities:		
Revolving credit facility (note 8 & 18)	\$ 7,394,969	\$ 7,771,975
Acquisition credit facility (note 8 & 18)	32,500,000	32,500,000
Restricted funds (note 3)	13,334,439	10,325,563
Accounts payable and accrued liabilities	8,259,514	8,195,528
Distributions payable	1,433,968	1,433,968
	62,922,890	60,227,034
Deferred rent	145,660	159,000
Deferred revenue	129,167	214,447
Unitholders' equity:		
Capital contributions: (note 9)		
Units	72,604,632	72,604,632
Exchangeable partnership units	41,963,273	41,963,273
Accumulated other comprehensive income (note 1(n))	448,578	257,262
Deficit at beginning of period	(55,673,613)	(51,884,035)
Distributions declared (note 10)	(9,850,730)	(18,703,919)
Net earnings	15,415,490	14,914,337
	64,907,630	59,151,550
	\$ 128,105,346	\$ 119,752,031

Subsequent event (note 18)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Signed"
Gary Dundas
Director

Calgary, Canada
August 9, 2010

DirectCash Income Fund
Consolidated Statements of Comprehensive Income

	For the three months ended		For six months ended	
	June 30 2010 (unaudited)	June 30 2009 (unaudited)	June 30 2010 (unaudited)	June 30 2009 (unaudited)
Revenue:				
Recurring services	\$ 22,370,880	\$ 18,286,012	\$ 43,294,781	\$ 36,266,435
Products	4,998,229	5,617,354	10,188,159	11,205,902
Interest	17,786	15,891	19,696	69,118
	27,386,895	23,919,257	53,502,635	47,541,455
Expenses:				
Cost of recurring services	9,744,496	7,824,985	19,381,136	15,596,165
Cost of products	4,769,758	5,174,371	9,443,980	10,406,913
Selling, general and administrative	3,373,478	3,399,509	6,793,232	6,611,310
Long-term incentive plan (note 11)	500,000	342,782	878,000	647,532
Interest	309,895	223,747	577,678	524,406
Unrealized (gain)/loss on foreign exchange (note 1(m))	49,818	(42,000)	31,967	(42,000)
Gain on acquisition (note 2)	-	-	(4,238,335)	-
Depreciation of equipment	795,169	851,819	1,561,292	1,564,023
Amortization of intangible assets	2,108,102	2,500,404	4,166,453	6,293,908
	21,650,715	20,275,617	38,595,402	41,602,257
Net Income before income taxes	5,736,180	3,643,640	14,907,233	5,939,198
Income tax - Current (note 1(k))	52,563	78,738	105,366	178,739
Income tax - Future (note 12)	(327,900)	-	(613,623)	-
Net earnings	6,011,517	3,564,902	15,415,490	5,760,459
Other comprehensive income (note 1(n))	(62,497)		(191,316)	
Comprehensive Income	6,074,014	3,564,902	15,606,806	5,760,459
Weighted average units:				
Basic and diluted	12,469,279	12,469,279	12,469,279	12,469,279
Net earnings per unit:				
Basic and diluted	\$ 0.48	\$ 0.29	\$ 1.24	\$ 0.46

See accompanying notes to the consolidated financial statements.

DirectCash Income Fund
Consolidated Statements of Cash Flows

	For the three months ended		For six months ended	
	June 30	June 30	June 30	June 30
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by (used in):				
Operations:				
Net earnings	\$ 6,011,517	\$ 3,564,902	\$ 15,415,490	\$ 5,760,459
Add items not involving cash:				
Future income tax	(327,900)	-	(613,623)	-
Gain on acquisition (note 2)	-	-	(4,238,335)	-
Unrealized foreign exchange (gain)/loss	49,818	-	31,967	-
Depreciation of equipment	795,169	851,819	1,561,292	1,564,023
Amortization of intangible and other assets	2,108,102	2,500,404	4,166,453	6,293,908
	8,636,706	6,917,125	16,323,244	13,618,390
Changes in non-cash working capital	1,329,666	57,732	(1,440,410)	1,209,277
	9,966,373	6,974,857	14,882,834	14,827,667
Investing:				
Acquisition of equipment	(1,103,034)	(585,039)	(2,097,096)	(1,638,246)
Acquisition of intangible assets	(1,407,405)	(1,577,709)	(2,679,934)	(2,076,689)
Acquisition of subsidiaries	-	-	(319,195)	-
	(2,510,440)	(2,162,748)	(5,096,225)	(3,714,935)
Financing:				
Acquisition credit facility	-	1,700,000	-	1,700,000
Distributions to unitholders	(5,548,829)	(4,301,901)	(9,850,730)	(8,603,801)
	(5,548,829)	(2,601,901)	(9,850,730)	(6,903,801)
Increase/(decrease) in cash and cash equivalents	1,907,104	2,210,208	(64,121)	4,208,931
Cash and cash equivalents, beginning of period	16,289,334	12,067,669	18,113,889	10,068,946
Effect of foreign exchange translation	12,679	-	159,349	-
Cash and cash equivalents, end of period	\$ 18,209,117	\$ 14,277,877	\$ 18,209,117	\$ 14,277,877
Cash and cash equivalents is comprised of:				
Cash in circulation	\$ 25,604,086	\$ 21,212,920	\$ 25,604,086	\$ 21,212,920
Revolving credit facility	(7,394,969)	(6,935,043)	(7,394,969)	(6,935,043)
	\$ 18,209,117	\$ 14,277,877	\$ 18,209,117	\$ 14,277,877
Cash paid during the period for:				
Interest	\$ 309,895	\$ 223,747	\$ 577,678	\$ 524,406
Income taxes	\$ 157,506	\$ -	\$ 157,506	\$ -

See accompanying notes to the consolidated financial statements.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

1. Basis of presentation and significant accounting policies:

DirectCash Income Fund (the "Fund") is an unincorporated, open ended, limited purpose trust established under the laws of the Province of Alberta and was created pursuant to a Declaration of Trust dated November 2, 2004. The Fund indirectly holds 63.7% of the limited partnership units of DirectCash LP, established under the laws of Alberta. DirectCash LP, in turn, holds 100% of the outstanding partnership units of the DirectCash ATM Processing Partnership (the "Processing Partnership") and DirectCash ATM Management Partnership (the "Management Partnership"), two general partnerships established under the laws of Alberta.

"DirectCash" means, collectively, DirectCash Management Inc., DirectCash Limited Partnership, DirectCash ATM Management Partnership, DirectCash ATM Processing Partnership, DirectCash Acquisition Corp., DirectCash USA, Inc., DirectCash México S.A. De C.V., DSM Services S.A. De C.V., DirectCash Management Australia Pty. Ltd. and any of their controlled affiliates (i.e. the entities involved in the actual operation of the businesses being carried on).

"DirectCash Group" means, collectively, the Fund, DirectCash Commercial Trust and the entities comprised in the definition of "DirectCash".

These consolidated financial statements have been prepared by management from the historical records of the Fund and its subsidiaries, and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), applied on a consistent basis. All intercompany balances and transactions have been eliminated.

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2009. The disclosure provided below is incremental to that included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Fund's consolidated financial statements and the notes for the year ended December 31, 2009.

(a) Change in accounting policies:

Business Combinations

Effective January 1, 2010, the DirectCash Group early adopted CICA Handbook Section 1582 "Business Combinations", which replaced Section 1581 with the same name. This new section is aligned with IFRS and broadens the scope of a business. As a result more transactions will be accounted for as business combinations. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange and generally requires all acquisition costs to be expensed. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. In addition, all assets acquired and liabilities assumed are measured at fair value. Negative goodwill is required to be recognized immediately in earnings as a purchase gain. Consequently, the DirectCash Group also early adopted Handbook Section 1601, "Consolidated Financial Statements" and Handbook Section 1602, "Non-controlling Interests".

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements June 30, 2010 and 2009

1) Consolidated Financial Statements

The DirectCash Group early adopted Handbook Section 1601, "Consolidated Financial Statements", which was issued January 2009 and replaces CICA Section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities. The early adoption did not have an impact on equity or profit for the period.

2) Non-controlling Interests

The DirectCash Group early adopted Handbook Section 1602, "Non-controlling Interests", which was issued January 2009 and replaces CICA section 1600, "Consolidated Financial Statements". Minority interest is referred to as Non-Controlling Interest ("NCI"), and presented within equity. Under this new standard, when there is a loss or gain of control the Fund's previously held interest is revalued at fair value. In addition, NCI may be reported at fair value or at the proportionate share of the fair value of the acquired net assets and allocation of the net income to the NCI will be on this basis. The early adoption did not have an impact on equity or profit for the period.

(b) Future accounting policies:

1) IFRS

The CICA Accounting Standards Board ("AcSB") confirmed in February 2008 that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective January 1, 2011. The Fund has developed a conversion plan to complete the transition by January 1, 2011, including the preparation of required comparative information. The impact of IFRS on the Fund's Consolidated Financial Statements is not reasonably determinable at this time.

(c) Revenue recognition:

Revenue from processing transactions and other services is recognized at the time the transactions are processed and the services are provided. Warranty fees received in advance of the warranty period are deferred and recognized over the term of the warranty period. Revenue from product sales is recognized when the risks and rewards of ownership have transferred to the customers and collection is reasonably assured, which is generally at the time the products are delivered. There is historic seasonality of processing transaction volumes, with the highest activity typically occurring in the months of March, April, June, July and August, and the lowest activity typically occurring in the months of November, December, January and February. The revenues from the Mexican operations are currently countercyclical to those in Canada because Mexico revenue is generated mostly in tourist areas.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements June 30, 2010 and 2009

(d) Financial instruments:

Financial instruments must be classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

DirectCash has designated its cash in circulation and restricted funds as held-for-trading, which is measured at fair value.

Accounts receivable and loans receivable are classified as loans and receivables, which are measured at amortized cost.

Revolving and acquisition credit facilities, accounts payable, accrued liabilities, and distributions payable are classified as other financial liabilities, which are measured at amortized cost.

DirectCash has not designated any financial instruments as held-to-maturity investments or available for sale financial assets.

The carrying values of cash in circulation, accounts receivable, restricted funds, loans receivable, revolving credit facility, acquisition credit facility, accounts payable and accrued liabilities, and distributions payable approximate their fair values due to the relatively short periods to maturity of these instruments and the floating interest rates borne by the debt instruments. Fair value would be measured using market rates or using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques are used.

All derivative instruments, including embedded derivatives, are recorded in the statement of earnings at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes to their fair value are recorded in comprehensive income. The Fund has no derivative instrument exposure at June 30, 2010.

(e) Inventories:

Inventories consists of ATMs, Debit terminals, related spare parts and accessories held for sale, prepaid product vouchers, prepaid telecommunications cards and prepaid debit and credit cards. Inventories are stated at the lower of cost, which is determined on a weighted average basis, and net realizable value.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
June 30, 2010 and 2009

(f) Equipment:

Equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment Depreciation	
ATM Equipment	5 years
Debit terminal equipment	5 years
Building	10 years
Computer hardware	3 years
Furniture and fixtures	5 years
Computer software	2 years
Leasehold improvements	life of lease
Automobiles	5 years
Other	5 years

(g) Intangible assets:

Intangible assets are comprised of ATM and Debit terminal processing contracts, as well as Prepaid Management contracts in the prepaid product line of business, non-compete arrangements and intellectual property, acquired at fair value. Typically, ATM and Debit terminal processing contracts typically have an initial 6-year term and generally include a 6-year renewal provision unless the customer terminates the contract within a specified period, and include a right of first refusal ("ROFR") for any competing offer on renewal. Prepaid Management contracts typically have an initial 10-year term with similar renewal and ROFR provisions as the ATM and Debit terminal processing contracts. ATM and Debit terminal processing contracts are amortized on a straight-line basis over the expected life of the contract, while Prepaid Management contracts are amortized over the remaining life of the initial contract term.

DirectCash tests for possible impairment of intangible assets on an annual basis or at any other time when events or conditions have occurred that would suggest an impairment of the carrying value.

(h) Goodwill:

Goodwill reflects the residual amount that results when the purchase price of an acquired business exceeds the fair market value of net identifiable assets acquired. DirectCash reviews goodwill valuation on an annual basis or at any other time when conditions have changed that would suggest an impairment of the carrying value. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value.

When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements June 30, 2010 and 2009

goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The net carrying value of goodwill would be written down by the amount of the excess carrying amount over fair value if the value were permanently impaired. As a result of the current assessment no impairment loss has been recognized.

(i) Deferred rent:

Cash tenant inducements are recorded as deferred rent and amortized against rent expense over the life of the initial term of the lease period. The current portion is included in accounts payables and accrued liabilities.

(j) Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions include: the amortization period related to intangible assets; the depreciation period related to fixed assets and the allocation of purchase price to acquired assets.

(k) Income taxes:

The Fund is a mutual fund trust for purposes of the Income Tax Act (Canada), and is only subject to statutory income taxes on taxable income not distributed to the Unitholders. A subsidiary of the Fund, incorporated in Mexico, is subject to income tax in Mexico.

Incorporated subsidiaries of the Fund use the liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be settled or realized.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Fund's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(l) Segmented information:

DirectCash earns revenues from three different lines of business:

1. The sale of ATMs and related products and services ("ATM business").
2. The sale of prepaid phone cards, prepaid debit and credit cards, pre-authorized debit services, and related products and services ("Prepaid product business").
3. The sale of Debit terminals and related products and services ("Debit terminal business").

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Selling, general and administrative expenses are commingled between all lines of business, therefore earnings or losses by line of business are not determinable. Assets and liabilities, except for goodwill, are shared between the three lines of business and are therefore not determinable by line of business.

(m) Foreign Currency Translation:

In accordance with Canadian generally accepted accounting principles DirectCash translates foreign currency using the temporal method.

Under this method monetary assets and liabilities are translated at the prevailing rates of exchange, non-monetary assets and liabilities are translated at historic exchange rates and revenue and expense items are translated at prevailing average exchange rates during the year. Realized and unrealized exchange gains and losses are included in earnings.

During the first three quarters of 2009 Mexico operations were considered to be an integrated foreign operation and used the temporal method of translation. Effective October 1, 2009, the Mexican Business is considered a self sustaining operation.

DirectCash uses the current rate method for the translation of its self sustaining foreign operations in Mexico. Exchange gains or losses arising from the translation of the financial statements of this operation are recognized as a separate component of other comprehensive income. Assets and liabilities are translated at the exchange rate prevailing at quarter end, while revenue and expenses are translated at the rate in effect when such items are recognized during the period. Equity is translated at historical exchange rates. The revaluation of the intercompany loan account is recognized in the income statement as the loan is denominated in Canadian dollars.

(n) Comprehensive income:

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with GAAP. The only item included in this line is the foreign exchange revaluation of the assets of the Funds Mexico subsidiary.

2. Acquisitions:

Asset Acquisitions

On January 15 2010, The Fund acquired certain assets of a privately held corporation engaged in ATM services for consideration of \$1.2 million, subject to a customary performance holdback and normal course purchase adjustments. The total consideration will be paid out over five years given certain minimum performance covenants and conditions are met. The assets acquired consist of the residual rights in contracts to operate and place ATM machines at certain locations as well as contracts not to compete with DirectCash and a profit sharing contract in Mexico. These contracts are valued based on the remaining term of each agreement and the expected

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
June 30, 2010 and 2009

net cash flow from that agreement value is allocated to intangible assets and amortized in accordance with DirectCash's policy. As part of the consideration, DirectCash agreed to provide up to 20 ATM machines to be used as incentive to extend existing contract length before transferring them to DirectCash.

On June 1, 2010, The Fund acquired certain assets of a privately held corporation engaged in ATM services for consideration of \$1.8 million, subject to a customary performance holdback and normal course purchase adjustments. The majority of the assets acquired consist of the residual rights in contracts to operate and place ATM machines at certain locations. These contracts are valued based on the remaining term of each agreement and the expected net cash flow from that agreement value is allocated to intangible assets and amortized in accordance with DirectCash's policy.

The following allocations (among the asset classes) of the purchase price from the acquisitions completed on a year to date basis are preliminary and subject to change pending receipt of final information.

	2010
Assets acquired:	
Intangible assets	\$ 2,674,112
Equipment	160,558
Vault cash	228,380
Total consideration	3,063,050

Business Acquisitions

On January 29 2010, DirectCash acquired certain assets from Mint Technology Inc as well as 100% of the shares in three of its subsidiaries, Mint Inc., Mint Capital and Mint Shared Services.

The acquired prepaid business specializes in internet based prepaid MasterCard sales and loading, which is a similar and like business to DirectCash's prepaid cash card business. The assets consist mainly of contracts with companies to issue custom branded prepaid cards via the internet and the intellectual property required to operate such business.

After determining the fair value of all identifiable assets and liabilities the resulting excess of \$4.2 million has been recognized as a purchase gain (Purchase gain on acquisition). The purchase gain mainly resulted from the availability of the tax pools.

These acquisitions were initially funded from DirectCash's working capital.

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Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Identifiable assets acquired and liabilities assumed:

	2010
Assets acquired:	
Future tax asset	\$ 4,692,732
Intangible assets	285,602
Equipment	10,000
Working capital	(270,491)
Total	4,717,843
Deferred payment	125,000
Consideration	354,508
Purchase gain	4,238,335

The fair values of intangibles and tax assets have been determined on a provisional basis and will be completed over the course of 2010.

3. Restricted funds:

DirectCash provides services related to prepaid debit and credit cards. DirectCash requires cash and security under its agreements with these customers for utilizing DirectCash's funds and to activate these cards on behalf of the customers. DirectCash places the restricted cash into short-term interest bearing deposits.

4. Loans receivable:

DirectCash has extended payment terms to a number of third parties customers for short-term ATM financing and cash loading purposes. These loans are generally repayable on demand and are interest free.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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5. Inventories:

<i>As of:</i>	June 30 2010	December 31 2009
ATM parts and accessories	\$ 2,006,944	\$ 1,736,538
ATMs	794,140	890,141
Telecommunications cards	99,865	207,416
Debit terminals	466,815	469,862
Debit and credit cards	49,954	56,265
Debit terminal parts and accessories	125,197	123,843
	\$ 3,542,915	\$ 3,484,065

	Three months to June 30		Six months to June 30	
	2010	2009	2010	2009
Inventory sold	1,096,612	2,172,346	2,155,929	4,370,174
Inventory used in repairs	77,148	159,818	128,095	330,670
Inventory written down	127,940	143,585	237,811	229,634
	\$ 1,301,700	\$ 2,475,749	\$ 2,521,835	\$ 4,930,478

DirectCash's entire inventory is pledged as security under a general security agreement with its Bank (see note 8).

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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6. Equipment:

The following tables identifies, by significant asset class, the purchased cost of equipment, the accumulated depreciation and net book value for the periods ending June 30, 2010 and December 2009:

As of June 30, 2010	Cost	Accumulated Depreciation	Net Book Value
ATM equipment	\$ 7,992,989	\$ 4,088,511	\$ 3,904,478
ATM equipment leased to third parties	653,147	542,744	110,403
Leasehold improvements	1,865,890	1,255,535	610,356
Computer hardware	2,536,312	1,546,174	990,137
Automobiles	731,648	396,641	335,008
Furniture and fixtures	1,057,754	673,117	384,637
Debit terminal equipment	881,428	449,700	431,728
Computer software	1,489,818	1,088,455	401,363
Building	139,836	59,430	80,406
Other	215,514	52,840	162,674
	\$ 17,564,336	\$ 10,153,149	\$ 7,411,189

As of December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
ATM equipment	\$ 7,114,509	\$ 3,722,410	\$ 3,392,099
ATM equipment leased to third parties	665,613	508,748	156,865
Leasehold improvements	1,584,836	1,088,729	496,107
Computer hardware	2,392,154	1,277,017	1,115,137
Automobiles	677,864	367,148	310,716
Furniture and fixtures	968,547	589,142	379,405
Debit terminal equipment	830,825	388,478	442,347
Computer software	1,253,941	934,012	319,929
Building	139,836	52,438	87,398
Other	197,646	32,210	165,436
	\$ 15,825,771	\$ 8,960,332	\$ 6,865,439

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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7. Intangible and other assets:

The following tables identifies, by significant asset class, the purchased cost of the intangibles, the accumulated depreciation and net book value for the periods ending June 30, 2010 and December 2009. As a result of the current assessment, no impairment loss has been recognized.

As of June 30, 2010	Cost	Accumulated Depreciation	Net Book Value
ATM contracts	\$ 76,096,042	\$ 66,493,620	\$ 9,602,422
Prepaid management system contracts	21,386,713	15,311,195	6,075,518
Debit terminal contracts	1,172,086	1,172,086	-
Other	81,190	66,687	14,503
	\$ 98,736,031	\$ 83,043,588	\$ 15,692,443

As of December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
ATM contracts	\$ 73,116,955	\$ 63,694,382	\$ 9,422,573
Prepaid management system contracts	21,386,713	13,931,408	7,455,305
Debit terminal contracts	1,172,086	1,172,086	-
Other	81,190	65,709	15,482
	\$ 95,756,944	\$ 78,863,585	\$ 16,893,360

8. Credit facilities:

DirectCash has credit facilities with a Canadian chartered bank (the "Bank"). The credit facilities are secured by a fixed and specific charge over all assets of DirectCash LP, DirectCash ATM Processing Partnership as well as an unlimited guarantee from each of its significant operating affiliates, and are subject to certain financial covenants.

(a) Revolving credit facility:

DirectCash has a \$20,000,000 revolving credit facility, of which \$7,394,969 was utilized at June 30, 2010. In addition DirectCash has an outstanding commercial letter of credit with MasterCard International in the amount of US\$1,500,000 (C\$1,559,900) relating to the Fund's prepaid MasterCard program. The revolving credit facility is demand in nature and is utilized for ATM cash machine loading, working capital requirements and commercial letters of credit. This credit facility bears interest at the Bank's prime lending rate plus 1%.

(b) Acquisition credit facility:

DirectCash has a \$40,000,000 acquisition credit facility, of which \$32,500,000 was utilized at June 30, 2010. The facility is demand in nature and is utilized for the acquisition of additional ATM and Debit Terminal network and Prepaid Product assets, and general corporate acquisitions in complimentary business lines. The facility bears interest at the

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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Bank's prime lending rate plus 1% or at banker's acceptance rates plus 2.4% per annum.
There are no scheduled principal repayments.

(c) Lending covenants:

DirectCash is subject to the following primary lending covenants, all of which DirectCash complied with:

	June 30, 2010	Covenant Limit
Funded Debt to Recurring Quarterly Revenue	1.8:1	< 10:1
Fixed Charge Cover Ratio	20:1	> 4:1
Senior Debt to EBITDA	1.3:1	< 2:1

9. Capital contributions:

(a) Units:

The Fund's Participating Trust Units ("Units") outstanding and capital contributions are as follows:

	Number of Units	Capital Contribution
As of June 30, 2010 and 2009	7,941,775	\$ 72,604,632

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal and undivided beneficial interest in any distributions from the Fund, whether of net earnings, net realized capital gains or other amounts, and in the net assets of the Fund in the event of a termination or winding up of the Fund. All Units have equal voting rights and privileges.

(b) Exchangeable Partnership Units:

DirectCash Limited Partnership's Exchangeable Partnership Units outstanding and capital contributions are as follows:

	Number of Units	Capital Contribution
As of June 30, 2010 and 2009	4,527,504	\$ 41,963,273

The Exchangeable Partnership Units issued by DirectCash LP have economic and voting rights, which are equivalent, in all material respects, to the Units. As a result, they have been treated for accounting purposes as Unit equivalents and classified as equity. Exchangeable Partnership Units are exchangeable, directly or indirectly, on a one for one basis for Units at the option of the holder, under the terms of an Exchange Agreement. Exchangeable Partnership Units are not transferable to any third parties prior to their conversion to Units. Each Exchangeable Partnership

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Unit entitles the holder to receive distributions from DirectCash LP pro rata with distributions made to holders of Units.

Net earnings per unit is calculated on the "as converted" basis, whereby it is assumed that all Exchangeable Partnership Units have been converted to Units.

10. Distributions declared:

For the three months ended June 30:	2010	2009
Distributions declared on equity instruments:		
Units and Exchangeable partnership units	\$ 4,301,901	\$ 4,301,901
Special Distribution (Units and Exchangeable partnership units)	1,246,928	-
Total distributions declared	\$ 5,548,829	\$ 4,301,901

For the six months ended June 30:	2010	2009
Distributions declared on equity instruments:		
Units and Exchangeable partnership units	\$ 8,603,803	\$ 8,603,803
Special Distribution (Units and Exchangeable partnership units)	1,246,928	-
Total distributions declared	\$ 9,850,731	\$ 8,603,803

During the period the Fund paid a special distribution of \$0.100 per Unit on June 30, 2010. The Fund's policy is to pay cash distributions on or about the last day of each month to Unitholders of record on the last business day of the preceding month. The Fund is committed to maintaining its distributions at a high enough rate so as to minimize any tax payable. DirectCash is required to pay income taxes on net income earned within incorporated subsidiaries. Distributions paid by the Fund would be calculated after taxes and any required withholdings are paid to foreign jurisdictions.

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11. Long-term incentive plan ("LTIP"):

Pursuant to the LTIP, DirectCash sets aside a pool of funds based upon the amount by which the Fund's per Unit distributable cash flow exceeds certain defined threshold amounts. After the year end, this pool of funds is allocated to directors and employees based on performance.

Percentage by which distributable cash flow per Unit exceeds base threshold (1)	Maximum proportion of excess distributable cash available for LTIP payments
5% or less	0%
greater than 5% and up to 10%	10% of any excess over 5%
greater than 10% and up to 20%	10% of any excess over 5% to 10%, plus 20% of any excess over 10% to 20%
greater than 20%	10% of any excess over 5% to 10%, plus 20% of any excess over 10% to 20%, plus 30% of any excess over 20%

(1) \$1.88 per Unit per fiscal year (2009 - \$1.65 per Unit).

LTIP expensed during the quarter is as follows:

LTIP Expense	Three months to June 30		Six months to June 30	
	2010	2009	2010	2009
LTIP expense	500,000	373,970	878,000	678,720
Proceeds of units sold		(31,188)		(31,188)
	\$ 500,000	\$ 342,782	\$ 878,000	\$ 647,532

LTIP expense is accrued every quarter based on the prorated estimated cost for the full year. During the first quarter the board of directors decided to increase the threshold from \$1.65 to \$1.80, and during the second quarter from \$1.80 to \$1.88 per unit for 2010.

LTIP units awarded to employees and directors vest in 3 increments, with the first third vesting immediately and the other two increments on the next two anniversary dates. LTIP expense is measured at the fair value of the units awarded on the date of the grant. This value is expensed immediately.

Unvested Units of those that are no longer employed are sold in the open market and the proceeds credited to the LTIP expense.

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12. Future income taxes

On June 22, 2007, Bill C-52 Budget Implementation Act, 2007 was passed into law by the Canadian federal government, which contains legislation to tax publicly traded trusts in Canada. As a result, a new tax will be applied to distributions from Canadian public income trusts. The new tax is not expected to apply to the Fund until 2011 as a transition period applies to publicly traded trusts that existed prior to November 1, 2006. Accordingly, the Fund calculated the taxable temporary differences of DirectCash, tax effected at 25%, which is the expected rate that will be applicable in 2011 under the current legislation and the DirectCash Group's current structure.

The future income tax ("FIT") provision reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities of DirectCash and their corresponding income tax bases at quarter end.

The components of the future income tax asset are as follows:

<i>(thousands)</i>	2010
Non-capital losses	(4,693)
Excess of tax pools over net book value of fixed and intangible assets	(1,439)
FIT (asset) liability	(6,132)

13. Related party transactions:

DirectCash LP makes distributions to the holders of Exchangeable Partnership Units. The holders of these units are related parties by virtue of their significant ownership interest in the business. See note 10.

DirectCash is party to various services and marketing agreements with DirectCash Bank ("DC Bank"), whereby DirectCash will provide transaction processing and technology services to DC Bank and DC Bank provides services and products to DirectCash or to DirectCash customers for a fee. All contracts are negotiated at market terms and rates. DC Bank is indirectly owned by the three original principals of DirectCash, who continue to maintain significant ownership (directly through Unit holdings and indirectly through Exchangeable Partnership Units) in the Fund. One of DC Bank's significant shareholders (indirectly through holding corporations) is also DirectCash's President and CEO.

During the three and six months ended June 30, 2010, DirectCash paid \$337,732 and \$578,323 (2009: \$150,137 and \$368,515) of fees to DC Bank associated with various agreements with DC Bank.

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14. Segmented information:

DirectCash segments its revenues and cost of goods sold by line of business. Revenues and gross profits by line of business are as follows:

Revenue by Line of Business

(thousands)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
ATM Business	\$ 10,814	\$ 10,606	\$ 20,616	\$ 20,691
Prepaid products business	15,973	12,887	31,809	25,991
Debit terminal business	600	426	1,078	859
Total Revenue	\$ 27,387	\$ 23,919	\$ 53,503	\$ 47,541

Cost of Sales by Line of Business

(thousands)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
ATM Business	\$ (4,566)	\$ (4,331)	\$ (8,766)	\$ (8,340)
Prepaid products business	(9,819)	(8,549)	(19,810)	(17,430)
Debit terminal business	(130)	(119)	(250)	(233)
Total	\$ (14,515)	\$ (12,999)	\$ (28,826)	\$ (26,003)

Gross profit by Line of Business

(thousands)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
ATM Business	\$ 6,248	\$ 6,275	\$ 11,850	\$ 12,351
Prepaid products business	6,154	4,338	11,999	8,561
Debit terminal business	470	307	828	626
Total	\$ 12,872	\$ 10,920	\$ 24,677	\$ 21,538

DirectCash has two customers which accounted for approximately 27% and 9% respectively, of DirectCash's overall revenues for the quarter ended June 30, 2010 (2009, two customers – 24% and 11% respectively). The revenues from these customers are spread across all lines of business. DirectCash has contractual agreements to provide services to these customers.

DirectCash operates mainly in Canada, but has growing operations in Mexico and smaller operations in both the United States and Australia. Revenue from Mexico for the six months ended June 30, 2010 amounted to \$2,138,862 (2009 - \$1,889,592) and total capital assets attributed to Mexico operations as of June 30, 2010 were recorded at \$1,276,504 (2009 - \$635,468).

15. Capital management:

DirectCash's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence as to sustainability and future development of the Fund's businesses. DirectCash defines capital as Unitholders' equity plus debt, the amount of which is apparent from the balance sheet.

DirectCash Management Inc.'s Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth of earnings and

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cash flows. The DirectCash Management Inc. Board of Directors also reviews on a quarterly basis the level of distributions paid to Unitholders. There were no changes to DirectCash's approach to capital management during the period.

DirectCash is not subject to externally imposed capital requirements, other than those associated with its lending covenants (see note 8).

16. Contingencies:

Given the nature of DirectCash's business, DirectCash has entered into a large number of contracts. Given the number of contracts, there is a small (but constant) amount of litigation where DirectCash is required to enforce its contractual rights to ensure revenue continuity. Also, in rare cases DirectCash faces litigation where competitors have issued statements of claim alleging some sort of misconduct or breach in relation to customers lost to DirectCash. It is a necessary part of DirectCash's business to enforce its contracts and defend these claims. However, none of these law suits are material in amount.

17. Financial instruments and risk management:

The carrying values of cash in circulation, accounts receivable, restricted funds, loans receivable, revolving credit facility, acquisition credit facility, accounts payable and accrued liabilities, and distributions payable approximate their fair values due to the relatively short periods to maturity of these instruments and the floating interest rates borne by debt instruments. All the financial instruments of the company mature within one year.

(a) Foreign currency risk:

DirectCash's exposure to foreign currency fluctuations stems mainly from its investment in Mexico. The debt portion of the investment is a loan to a Mexican subsidiary denominated in Canadian dollars and is revalued at the current rate on balance sheet date. The resulting gain or loss is included in the determination of net income for the period. The balance of the investment is represented by the net assets of the Mexican subsidiaries. Any gain or loss resulting from the revaluation of the net assets is included in "Other Comprehensive Income" and disclosed as part of the equity of the Fund.

DirectCash has cash in ATMs in Mexico denominated both in Peso and US dollars. The US dollars are bought on the open market and thus subject to fluctuation.

There are no ATMs with DirectCash owned cash located in the USA, but fee revenue from USA located ATMs is received and some expenses are in US dollars. While some inventory items acquired were denominated in US dollars, price changes resulting from fluctuations in currency levels were not significant.

Other than the cash in circulation (denominated in Mexican pesos and U.S. dollars in the ATM's placed in Mexico) and related intercompany loan, there were no significant financial instruments denominated in non-Canadian currency as of June 30, 2009.

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A 1% change in the exchange rate between the Canadian dollar and Mexican Peso will result in approximately \$25,000 change net income and a \$50,000 change in equity.

(b) Credit risk:

The carrying amount of the financial assets represents the maximum credit exposure.

DirectCash contracts typically provide for the ability to settle ATM and point of sale transactions directly to the benefit of DirectCash, which substantially reduces the credit risk of Accounts and Loans Receivable. Based on historic default rates DirectCash carries a minimal allowance for doubtful accounts. DirectCash typically also has the contracted ability to require funds to be paid by the customer in advance of funding a prepaid card in the prepaid products line of business. During the six months ended June 30, 2010, DirectCash recorded \$89,415 (2009: \$4,017) of bad debt expense related to accounts receivable that may not be collectible.

As of June 30, 2010 the aging of accounts receivable was as follows:

Current	\$	713,680
Past due (31-90 days)		535,122
Past due (>90 days)		809,608
Trade accounts receivable	\$	2,058,410
Miscellaneous accounts receivable		510,854
	\$	2,569,264

DirectCash is potentially exposed to credit risk on its restricted funds. DirectCash limits its exposure to credit risk by holding liquid securities with a regulated financial institution. Given the current standing of the regulated financial institution, DirectCash believes that the risk of default on these deposit obligations to be minimal.

(c) Interest rate risk:

DirectCash carries its debt instruments at variable interest rates and is therefore exposed to risk in the event of interest rate fluctuations. DirectCash has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations. For the quarter ended June 30, 2010, if underlying market interest rates had increased/decreased by 1% with all other variables held constant, net earnings would have been approximately \$103,000 lower/higher.

(d) Liquidity risk:

DirectCash may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the ability to meet commitments under credit facilities. The Fund's policy is to maintain a conservative debt to total capitalization structure, maintain a diverse clientele of well established and well financed entities, and to maintain sufficient capacity within its revolving credit facilities to meet immediate liquidity requirements.

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18. Subsequent events:

In early July 2010, Polihale Investments Ltd. ("Polihale"), a corporation wholly owned by Susan M. Gallacher, and Atlantis Financial Corp. ("Atlantis"), a corporation wholly controlled by Jeffrey J. Smith, each sold 190,000 participating trust units. Related to these transactions, Polihale and Atlantis both converted 190,000 exchangeable units into participating trust units on a one for one basis.

On July 31, 2010 DirectCash announced that it had acquired certain automated teller machine contracts of Cashline Inc., a privately held corporation based in Victoria, BC. The purchase price was \$16.1 million including working capital such as inventory, prepaid expenses and accounts receivable. A total of 830 ATM sites and related contracts were acquired and the acquisition is expected to be accretive to per unit distributable cash flow.

The acquisition is subject to customary purchase adjustments and holdbacks and was funded from DirectCash's acquisition credit facility, which was increased to accommodate this transaction. To finance this acquisition DirectCash increased its acquisition credit facility from \$40 million to \$57 million and its revolving line of credit from \$20 million to \$30 million to accommodate the expected increase in vault cash requirements. The interest rate on both credit facilities was reduced from prime plus 1% to prime plus 0.375%.

19. Comparative figures:

Certain reclassifications of prior period amounts have been made to conform to current year presentations.
