

Consolidated Interim Financial Statements



For the three and nine months ended September 30, 2010

**DirectCash Income Fund**  
**Consolidated Balance Sheets**  
(unaudited)

	Notes	September 30 2010	December 31 2009
<b>Assets</b>			
Current assets:			
Cash in circulation		\$ 36,244,760	\$ 25,885,860
Restricted funds	3	14,601,513	10,325,563
Accounts receivable		3,319,243	2,009,962
Loans receivable	4	630,735	717,880
Inventories	5	3,917,616	3,484,065
Prepaid expenses		877,139	378,622
		<b>59,591,006</b>	<b>42,801,952</b>
Future income tax	12	6,259,295	825,628
Equipment	6	9,747,366	6,865,439
Intangible and other assets	7	27,190,429	16,893,360
Goodwill		52,365,652	52,365,652
		<b>\$ 155,153,748</b>	<b>\$ 119,752,031</b>
<b>Liabilities and Unitholders' equity</b>			
Current liabilities:			
Revolving credit facility	8	\$ 12,342,398	\$ 7,771,975
Acquisition credit facility	8	25,947,625	32,500,000
Restricted funds	3	14,601,513	10,325,563
Accounts payable and accrued liabilities		10,779,329	8,195,528
Distributions payable		1,591,518	1,433,968
		<b>65,262,383</b>	<b>60,227,034</b>
Deferred rent		139,035	159,000
Deferred revenue		116,667	214,447
<b>Unitholders' equity:</b>			
<b>Capital contributions:</b>			
Units	9	100,123,437	72,604,632
Exchangeable partnership units	9	38,440,673	41,963,273
Accumulated other comprehensive income	1(n)	420,523	257,262
Deficit at beginning of period		(55,673,617)	(51,884,035)
Distributions declared	10	(14,310,181)	(18,703,919)
Net earnings		20,634,829	14,914,337
Deficit at end of period		<b>(49,348,970)</b>	<b>(55,673,617)</b>
Total Unitholders' equity		<b>89,635,663</b>	<b>59,151,550</b>
		<b>\$ 155,153,748</b>	<b>\$ 119,752,031</b>

*Subsequent event* 18  
See accompanying notes to the consolidated financial statements.

On behalf of the Board:

**"Signed"**  
**Gary Dundas**  
Director

**"Signed"**  
Kevin Wolfe  
Director

Calgary, Canada  
November 8, 2010

**DirectCash Income Fund**  
**Consolidated Statements of Comprehensive Income**  
(unaudited)

	Note	For the three months ended		For nine months ended	
		September 30 2010	September 30 2009	September 30 2010	September 30 2009
<b>Revenue:</b>					
Recurring services		\$ 23,764,458	\$ 19,343,968	\$ 67,059,239	\$ 55,610,403
Products		5,465,293	5,690,255	15,653,452	16,896,157
Interest		43,914	10,358	63,610	79,476
		<b>29,273,665</b>	<b>25,044,581</b>	<b>82,776,300</b>	<b>72,586,036</b>
<b>Expenses:</b>					
Cost of recurring services		10,674,410	8,241,484	30,055,546	23,837,649
Cost of products		4,944,014	5,488,839	14,387,993	15,895,752
Selling, general and administrative		3,751,572	3,128,136	10,544,804	9,739,446
Long-term incentive plan	11	463,540	396,374	1,341,540	1,043,906
Interest		498,734	203,466	1,076,412	727,872
Unrealized loss on foreign exchange		3,332	308,170	35,299	266,170
Gain on acquisition	2	-	-	(4,238,335)	-
Depreciation of equipment		918,065	760,438	2,479,357	2,324,462
Amortization of intangible assets		2,537,935	2,231,178	6,704,388	8,525,086
		<b>23,791,602</b>	<b>20,758,085</b>	<b>62,387,004</b>	<b>62,360,343</b>
<b>Net income before income taxes</b>		<b>5,482,063</b>	<b>4,286,496</b>	<b>20,389,296</b>	<b>10,225,693</b>
Income tax - Current	1(k)	54,550	-	159,916	178,739
Income tax - Future (reduction)	12	208,174	-	(405,449)	-
<b>Net earnings</b>		<b>5,219,340</b>	<b>4,286,496</b>	<b>20,634,829</b>	<b>10,046,954</b>
Other comprehensive income (loss)		28,055	-	(163,262)	-
<b>Comprehensive Income</b>		<b>5,191,285</b>	<b>4,286,496</b>	<b>20,798,091</b>	<b>10,046,954</b>
Weighted average units:					
Basic and diluted		12,692,649	12,469,279	12,544,554	12,469,279
Net earnings per unit:					
Basic and diluted		\$ 0.41	\$ 0.34	\$ 1.64	\$ 0.81

See accompanying notes to the consolidated financial statements.

**DirectCash Income Fund**  
**Consolidated Statements of Cash Flows**

(unaudited)

	For the three months ended		For nine months ended	
	September 30 2010	September 30 2009	September 30 2010	September 30 2009
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net earnings	\$ 5,219,340	\$ 4,286,496	\$ 20,634,829	\$ 10,046,954
Add items not involving cash:				
Future income tax	208,174	-	(405,449)	-
Gain on acquisition	-	-	(4,238,335)	-
Unrealized foreign exchange (gain)	(3,332)	-	(35,299)	-
Depreciation of equipment	918,065	760,438	2,479,357	2,324,462
Amortization of intangible and other assets	2,537,935	2,231,178	6,704,388	8,525,086
	<b>8,880,181</b>	<b>7,278,112</b>	<b>25,139,491</b>	<b>20,896,502</b>
Changes in non-cash working capital	1,479,003	1,551,884	469,397	2,761,162
	<b>10,359,184</b>	<b>8,829,996</b>	<b>25,608,888</b>	<b>23,657,664</b>
<b>Investing:</b>				
Acquisition of equipment	(1,117,279)	(812,943)	(3,214,321)	(2,403,689)
Acquisition of intangible assets	(255,106)	(112,889)	(2,935,039)	(637,078)
Business and asset acquisitions	(15,917,779)	(365,000)	(16,667,778)	(1,965,000)
	<b>(17,290,163)</b>	<b>(1,290,832)</b>	<b>(22,817,138)</b>	<b>(5,005,767)</b>
<b>Financing:</b>				
Acquisition credit facility - draw down	17,000,000	-	17,000,000	1,700,000
Acquisition credit facility - repayment	(23,552,375)	-	(23,552,375)	-
Issue of units - net of issue cost	23,660,719	-	23,660,719	-
Distributions to unitholders	(4,459,451)	(4,301,903)	(14,310,181)	(12,905,705)
	<b>12,648,892</b>	<b>(4,301,903)</b>	<b>2,798,163</b>	<b>(11,205,705)</b>
<b>Increase in cash and cash equivalents</b>	<b>5,717,914</b>	<b>3,237,261</b>	<b>5,589,913</b>	<b>7,446,192</b>
Cash and cash equivalents, beginning of period	18,209,117	14,594,522	18,113,885	10,211,032
Effect of foreign exchange translation	(24,669)	(316,645)	198,563	(142,086)
<b>Cash and cash equivalents, end of period</b>	<b>23,902,361</b>	<b>17,515,138</b>	<b>23,902,361</b>	<b>17,515,138</b>
Cash and cash equivalents is comprised of:				
Cash in circulation	\$ 36,244,760	\$ 21,874,910	\$ 36,244,760	\$ 21,874,910
Revolving credit facility	(12,342,398)	(4,359,772)	(12,342,398)	(4,359,772)
	<b>\$ 23,902,361</b>	<b>\$ 17,515,138</b>	<b>\$ 23,902,361</b>	<b>\$ 17,515,138</b>
Cash paid during the period for:				
Interest	\$ 498,734	\$ 203,466	\$ 1,076,412	\$ 727,872
Income taxes	54,550	-	159,916	-

See accompanying notes to the consolidated financial statements.

# DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
September 30, 2010 and 2009

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## 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, except as noted below. 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  
September 30, 2010 and 2009

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### 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:

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.

### (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.

### (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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
September 30, 2010 and 2009

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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 September 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.

(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:

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

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### Equipment Depreciation

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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

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(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 at any 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 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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
September 30, 2010 and 2009

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(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.

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").

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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
September 30, 2010 and 2009

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(m) Foreign Currency Translation:

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 was considered a self sustaining operation.

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.

Exchange gains or losses arising from the translation of the financial statements of foreign operations 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. The revaluation of the intercompany loan account is recognized in the income.

(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 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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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On August 24, 2010, The Fund acquired certain assets of a privately held corporation engaged in the Debit Terminal business for consideration of \$262,500, 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 Debit Terminals 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	\$ 2,902,112
Equipment	195,058
Vault cash	228,380
Total consideration	3,325,550

### 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.

### **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

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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On July 31 2010, DirectCash acquired certain assets from Cashline Inc., a private company based in Victoria, BC. The company operated a portfolio of ATM's in Western Canada. A total of 830 ATM sites and related contracts were acquired.

The acquired assets consisted mainly of the residual rights in contracts to operate and place ATM machines at certain locations and software to manage these machines. The assets also included equipment, inventory, accounts receivable and prepaid expenses.

This acquisition was initially funded from DirectCash's acquisition credit facility, which was temporarily increased from \$40 million to \$57 million to accommodate the transaction. Subsequently, the Company raised \$25 million by issuing 1.37 million new units, the net proceeds of which was used to reduce the balance on this facility.

### Identifiable assets acquired and liabilities assumed:

	2010
Assets acquired:	
Intangible assets	\$ 13,780,815
Equipment	2,136,964
Vault cash	5,556,010
Working capital	183,369
Total	21,657,158
Consideration	21,657,158

This business combination has resulted in the following approximate contribution to the Fund:

<i>(thousands)</i>	Revenue	Net income
Since acquisition date	\$ 1,300	\$ 600
If the acquisition was made on January 1, 2010	7,410	3,420

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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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### 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.

### 5. Inventories:

<i>As of:</i>	<b>Sept 30 2010</b>	<b>Dec 31 2009</b>
ATM parts and accessories	<b>\$ 2,381,974</b>	<b>\$ 1,736,538</b>
ATMs	<b>1,129,304</b>	<b>890,141</b>
Telecommunications cards	<b>135,571</b>	<b>207,416</b>
Debit terminals	<b>182,264</b>	<b>469,862</b>
Debit and credit cards	<b>43,646</b>	<b>56,265</b>
Debit terminal parts and accessories	<b>44,857</b>	<b>123,843</b>
	<b>\$ 3,917,616</b>	<b>\$ 3,484,065</b>

	<b>Three months to Sept 30</b>		<b>Nine months to Sept 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Inventory sold	<b>1,246,466</b>	<b>1,739,571</b>	<b>3,402,395</b>	<b>6,109,745</b>
Inventory used in repairs	<b>141,198</b>	<b>69,432</b>	<b>269,293</b>	<b>400,102</b>
Inventory written down	<b>91,084</b>	<b>199,426</b>	<b>328,895</b>	<b>429,060</b>
	<b>\$ 1,478,748</b>	<b>\$ 2,008,429</b>	<b>\$ 4,000,582</b>	<b>\$ 6,938,906</b>

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 September 30, 2010 and December 2009:

<b>As of September 30, 2010</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
ATM equipment	\$ 9,670,603	\$ 4,396,872	\$ 5,273,731
ATM equipment leased to third parties	589,228	502,792	86,435
Leasehold improvements	1,888,335	1,339,686	548,649
Computer hardware	2,737,854	1,689,955	1,047,899
Automobiles	820,938	442,717	378,221
Furniture and fixtures	1,118,646	715,442	403,205
Debit terminal equipment	933,427	476,650	456,777
Computer software	2,556,001	1,238,151	1,317,850
Building	139,836	62,926	76,910
Other	221,503	63,814	157,689
	<b>\$ 20,676,371</b>	<b>\$ 10,929,006</b>	<b>\$ 9,747,366</b>

<b>As of December 31, 2009</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
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
	<b>\$ 15,825,771</b>	<b>\$ 8,960,332</b>	<b>\$ 6,865,439</b>

## 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 September 30, 2010 and December 2009. As a result of the current assessment, no impairment loss has been recognized.

<b>As of September 30, 2010</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
ATM contracts	\$ 90,119,903	\$ 68,329,112	\$ 21,790,791
Prepaid management system contracts	21,386,713	16,001,089	5,385,624
Debit terminal contracts	1,172,086	1,172,086	-
Other	81,190	67,176	14,014
	<b>\$ 112,759,892</b>	<b>\$ 85,569,463</b>	<b>\$ 27,190,429</b>

<b>As of December 31, 2009</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
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
	<b>\$ 95,756,944</b>	<b>\$ 78,863,585</b>	<b>\$ 16,893,360</b>

### 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 \$30,000,000 revolving credit facility, of which \$12,342,398 was utilized at September 30, 2010. This facility has been increased from \$20 million to \$30 million during the quarter to accommodate increased cash requirements due to acquired ATM's and general operating purposes. In addition DirectCash has an outstanding commercial letter of credit with MasterCard International in the amount of US\$1,500,000 (C\$1,543,500) relating to the Fund's prepaid MasterCard program. In October this letter of credit was increased to US\$2,500,000 (C\$2,518,250) due to the growth in this 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. Since July 1, 2010, this credit facility bears interest at the Bank's prime lending rate plus 0.375%. The rate was reduced from prime plus 1%.

## DIRECTCASH INCOME FUND

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(b) Acquisition credit facility:

DirectCash has a \$40,000,000 acquisition credit facility, of which \$25,947,625 was utilized at September 30, 2010. During the quarter the facility was temporarily increased from \$40 million to \$57 million to facilitate the acquisition of Cashline Inc. assets. In September the Company issued 1.37 million new units, the net proceeds of which were used to reduce the balance on this facility.

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. Since July 1, 2010, this facility bears interest at the Bank's prime lending rate plus 0.375% or at banker's acceptance rates plus 1.875% 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:

	Sept 30, 2010	Covenant Limit
Funded Debt to Recurring Quarterly Revenue	1.6:1	< 10:1
Fixed Charge Cover Ratio	26.3:1	> 4:1
Senior Debt to EBITDA	1.1:1	< 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 at June 30, 2010 and 2009	7,941,775	\$ 72,604,632
Issued for Exchangeable units	380,000	3,522,600
Issued for cash	1,370,000	25,002,500
Issue costs net of tax		(1,006,295)
As at September 30, 2010	9,691,775	100,123,437

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.

On July 7, 2010, two holders of Exchangeable Partnership Units exchanged a total of 380,000 units for Participating Trust Units on a one to one basis.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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On September 15, 2010, the Fund issued 1,370,000 new units to the public at \$18.25 per unit. The net proceeds after issuing costs were used to reduce the Fund's acquisition credit facility.

(b) Exchangeable Partnership Units:

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

	Number of Units	Capital Contribution
As at June 30, 2010 and 2009	4,527,504	\$ 41,963,273
Exchanged for Participating Trust Units	(380,000)	(3,522,600)
As at September 30, 2010	4,147,504	38,440,673

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 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 Sept 30:	2010	2009
Distributions declared on equity instruments:		
Units and Exchangeable partnership units	\$ 4,459,451	\$ 4,301,901
Total distributions declared	\$ 4,459,451	\$ 4,301,901

For the nine months ended Sept 30:	2010	2009
Distributions declared on equity instruments:		
Units and Exchangeable partnership units	\$ 13,063,254	\$ 12,905,705
Special Distribution (Units and Exchangeable units)	1,246,928	-
Total distributions declared	\$ 14,310,182	\$ 12,905,705

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

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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within incorporated subsidiaries. Distributions paid by the Fund would be calculated after taxes and any required withholdings are paid to foreign jurisdictions.

### 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.

<b>Percentage by which distributable cash flow per Unit exceeds base threshold (1)</b>	<b>Maximum proportion of excess distributable cash available for LTIP payments</b>
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:

	<b>Three months to Sept 30</b>		<b>Nine months to Sept 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
LTIP expense	<b>463,540</b>	396,374	<b>1,341,540</b>	1,075,094
Proceeds of units sold			-	31,188
	<b>\$ 463,540</b>	<b>\$ 396,374</b>	<b>\$ 1,341,540</b>	<b>\$ 1,043,906</b>

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.

## DIRECTCASH INCOME FUND

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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, tax will be applied to distributions from Canadian public income trusts. This 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	2009
Non-capital losses	4,696	
Unit issue cost balance	268	
Excess of tax pools over net book value of fixed and intangible assets	1,295	826
FIT asset	6,259	826

### 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 two of the 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 nine months ended September 30, 2010, DirectCash paid \$393,901 and \$972,225 (2009: \$149,677 and \$518,192) of fees to DC Bank associated with various agreements with DC Bank.

**DIRECTCASH INCOME FUND**  
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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		Nine months ended	
	Sept 30		Sept 30	
	2010	2009	2010	2009
ATM Business	\$ 12,376	\$ 11,268	\$ 32,992	\$ 31,959
Prepaid products business	16,363	13,234	48,172	39,225
Debit terminal business	534	543	1,612	1,402
<b>Total Revenue</b>	<b>\$ 29,273</b>	<b>\$ 25,045</b>	<b>\$ 82,776</b>	<b>\$ 72,586</b>

**Cost of Sales by Line of Business**

(thousands)	Three months ended		Nine months ended	
	Sept 30		Sept 30	
	2010	2009	2010	2009
ATM Business	\$ (5,329)	\$ 4,954	\$ (14,095)	\$ 13,294
Prepaid products business	(10,183)	8,620	(29,993)	26,050
Debit terminal business	(106)	157	(356)	390
<b>Total</b>	<b>\$ (15,618)</b>	<b>\$ 13,731</b>	<b>\$ (44,444)</b>	<b>\$ 39,734</b>

**Gross profit by Line of Business**

(thousands)	Three months ended		Nine months ended	
	Sept 30		Sept 30	
	2010	2009	2010	2009
ATM Business	\$ 7,047	\$ 6,314	\$ 18,897	\$ 18,665
	56.9%	56.0%	57.3%	58.4%
Prepaid products business	6,180	4,614	18,179	13,175
	37.8%	34.9%	37.7%	33.6%
Debit terminal business	428	386	1,256	1,012
	80.1%	71.1%	77.9%	72.2%
<b>Total</b>	<b>\$ 13,655</b>	<b>\$ 11,314</b>	<b>\$ 38,332</b>	<b>\$ 32,852</b>

DirectCash has two customers which accounted for approximately 27% and 8% respectively, of DirectCash's overall revenues for the quarter ended September 30, 2010 (2009, two customers – 23% 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 nine months ended September 30, 2010 amounted to \$3,049,726 (2009 - \$2,759,256) and total capital assets attributed to Mexico operations as of September 30, 2010 were recorded at \$1,351,907 (2009 - \$809,508).

**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 INCOME FUND

Notes to Consolidated Financial Statements  
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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 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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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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 September 30, 2009.

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 \$26,000 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 nine months ended September 30, 2010, DirectCash recorded \$139,415 (2009: \$36,669) of bad debt expense related to accounts receivable that may not be collectible.

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

Current	\$	1,507,774
Past due (31-90 days)		596,422
Past due (>90 days)		741,802
Trade accounts receivable	\$	2,845,998
Miscellaneous accounts receivable		473,245
	\$	3,319,243

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 September 30, 2010, if underlying market interest rates had increased/decreased by 1% with all other variables held constant, net earnings would have been approximately \$98,000 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.

## **DIRECTCASH INCOME FUND**

Notes to Consolidated Financial Statements  
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### **18. Subsequent events:**

On September 21, 2010, the Fund gave notice of a special meeting of unitholders, to be held on November 15, 2010. The purpose of the meeting is to consider and vote on a plan of arrangement that would result in the reorganization of the Fund into a corporation. On October 20, 2010, a management information circular was published containing details of the proposed plan of arrangement.

Subsequent to the quarter, The Fund acquired certain assets of a privately held corporation engaged in the ATM business for consideration of \$1.3 million plus vault cash, 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. DirectCash also acquired the residual rights to processing contracts from a distributor for \$257,500.

### **19. Comparative figures:**

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

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# DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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## 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, except as noted below. 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  
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### 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:

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.

### (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.

### (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.

## DIRECTCASH INCOME FUND

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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 September 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.

(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:

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements

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### Equipment Depreciation

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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

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(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 at any 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 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.

## DIRECTCASH INCOME FUND

### Notes to Consolidated Financial Statements

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(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.

The Fund uses 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").

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.

## DIRECTCASH INCOME FUND

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(m) Foreign Currency Translation:

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 was considered a self sustaining operation.

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.

Exchange gains or losses arising from the translation of the financial statements of foreign operations 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. The revaluation of the intercompany loan account is recognized in the income.

(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 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.

## DIRECTCASH INCOME FUND

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On August 24, 2010, The Fund acquired certain assets of a privately held corporation engaged in the Debit Terminal business for consideration of \$262,500, 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 Debit Terminals 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	\$ 2,902,112
Equipment	195,058
Vault cash	228,380
Total consideration	3,325,550

### 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.

### **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

## DIRECTCASH INCOME FUND

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On July 31 2010, DirectCash acquired certain assets from Cashline Inc., a private company based in Victoria, BC. The company operated a portfolio of ATM's in Western Canada. A total of 830 ATM sites and related contracts were acquired.

The acquired assets consisted mainly of the residual rights in contracts to operate and place ATM machines at certain locations and software to manage these machines. The assets also included equipment, inventory, accounts receivable and prepaid expenses.

This acquisition was initially funded from DirectCash's acquisition credit facility, which was temporarily increased from \$40 million to \$57 million to accommodate the transaction. Subsequently, the Company raised \$25 million by issuing 1.37 million new units, the net proceeds of which was used to reduce the balance on this facility.

### Identifiable assets acquired and liabilities assumed:

	2010
Assets acquired:	
Intangible assets	\$ 13,780,815
Equipment	2,136,964
Vault cash	5,556,010
Working capital	183,369
Total	21,657,158
Consideration	21,657,158

This business combination has resulted in the following approximate contribution to the Fund:

<i>(thousands)</i>	Revenue	Net income
Since acquisition date	\$ 1,300	\$ 600
If the acquisition was made on January 1, 2010	7,410	3,420

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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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### 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.

### 5. Inventories:

<i>As of:</i>	<b>Sept 30 2010</b>	<b>Dec 31 2009</b>
ATM parts and accessories	\$ 2,381,974	\$ 1,736,538
ATMs	1,129,304	890,141
Telecommunications cards	135,571	207,416
Debit terminals	182,264	469,862
Debit and credit cards	43,646	56,265
Debit terminal parts and accessories	44,857	123,843
	<b>\$ 3,917,616</b>	<b>\$ 3,484,065</b>

	<b>Three months to Sept 30</b>		<b>Nine months to Sept 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Inventory sold	1,246,466	1,739,571	3,402,395	6,109,745
Inventory used in repairs	141,198	69,432	269,293	400,102
Inventory written down	91,084	199,426	328,895	429,060
	<b>\$ 1,478,748</b>	<b>\$ 2,008,429</b>	<b>\$ 4,000,582</b>	<b>\$ 6,938,906</b>

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 September 30, 2010 and December 2009:

<b>As of September 30, 2010</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
ATM equipment	\$ 9,670,603	\$ 4,396,872	\$ 5,273,731
ATM equipment leased to third parties	589,228	502,792	86,435
Leasehold improvements	1,888,335	1,339,686	548,649
Computer hardware	2,737,854	1,689,955	1,047,899
Automobiles	820,938	442,717	378,221
Furniture and fixtures	1,118,646	715,442	403,205
Debit terminal equipment	933,427	476,650	456,777
Computer software	2,556,001	1,238,151	1,317,850
Building	139,836	62,926	76,910
Other	221,503	63,814	157,689
	<b>\$ 20,676,371</b>	<b>\$ 10,929,006</b>	<b>\$ 9,747,366</b>

<b>As of December 31, 2009</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
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
	<b>\$ 15,825,771</b>	<b>\$ 8,960,332</b>	<b>\$ 6,865,439</b>

## DIRECTCASH INCOME FUND

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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 September 30, 2010 and December 2009. As a result of the current assessment, no impairment loss has been recognized.

<b>As of September 30, 2010</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
ATM contracts	\$ 90,119,903	\$ 68,329,112	\$ 21,790,791
Prepaid management system contracts	21,386,713	16,001,089	5,385,624
Debit terminal contracts	1,172,086	1,172,086	-
Other	81,190	67,176	14,014
	<b>\$ 112,759,892</b>	<b>\$ 85,569,463</b>	<b>\$ 27,190,429</b>

<b>As of December 31, 2009</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
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
	<b>\$ 95,756,944</b>	<b>\$ 78,863,585</b>	<b>\$ 16,893,360</b>

### 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 \$30,000,000 revolving credit facility, of which \$12,342,398 was utilized at September 30, 2010. This facility has been increased from \$20 million to \$30 million during the quarter to accommodate increased cash requirements due to acquired ATM's and general operating purposes. In addition DirectCash has an outstanding commercial letter of credit with MasterCard International in the amount of US\$1,500,000 (C\$1,543,500) relating to the Fund's prepaid MasterCard program. In October this letter of credit was increased to US\$2,500,000 (C\$2,518,250) due to the growth in this 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. Since July 1, 2010, this credit facility bears interest at the Bank's prime lending rate plus 0.375%. The rate was reduced from prime plus 1%.

## DIRECTCASH INCOME FUND

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(b) Acquisition credit facility:

DirectCash has a \$40,000,000 acquisition credit facility, of which \$25,947,625 was utilized at September 30, 2010. During the quarter the facility was temporarily increased from \$40 million to \$57 million to facilitate the acquisition of Cashline Inc. assets. In September the Company issued 1.37 million new units, the net proceeds of which were used to reduce the balance on this facility.

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. Since July 1, 2010, this facility bears interest at the Bank's prime lending rate plus 0.375% or at banker's acceptance rates plus 1.875% 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:

	Sept 30, 2010	Covenant Limit
Funded Debt to Recurring Quarterly Revenue	1.6:1	< 10:1
Fixed Charge Cover Ratio	26.3:1	> 4:1
Senior Debt to EBITDA	1.1:1	< 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 at June 30, 2010 and 2009	7,941,775	\$ 72,604,632
Issued for Exchangeable units	380,000	3,522,600
Issued for cash	1,370,000	25,002,500
Issue costs net of tax		(1,006,295)
As at September 30, 2010	9,691,775	100,123,437

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.

On July 7, 2010, two holders of Exchangeable Partnership Units exchanged a total of 380,000 units for Participating Trust Units on a one to one basis.

## DIRECTCASH INCOME FUND

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On September 15, 2010, the Fund issued 1,370,000 new units to the public at \$18.25 per unit. The net proceeds after issuing costs were used to reduce the Fund's acquisition credit facility.

(b) Exchangeable Partnership Units:

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

	Number of Units	Capital Contribution
As at June 30, 2010 and 2009	4,527,504	\$ 41,963,273
Exchanged for Participating Trust Units	(380,000)	(3,522,600)
As at September 30, 2010	4,147,504	38,440,673

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 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 Sept 30:	2010	2009
Distributions declared on equity instruments:		
Units and Exchangeable partnership units	\$ 4,459,451	\$ 4,301,901
Total distributions declared	\$ 4,459,451	\$ 4,301,901

For the nine months ended Sept 30:	2010	2009
Distributions declared on equity instruments:		
Units and Exchangeable partnership units	\$ 13,063,254	\$ 12,905,705
Special Distribution (Units and Exchangeable units)	1,246,928	-
Total distributions declared	\$ 14,310,182	\$ 12,905,705

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

# DIRECTCASH INCOME FUND

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within incorporated subsidiaries. Distributions paid by the Fund would be calculated after taxes and any required withholdings are paid to foreign jurisdictions.

## 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.

<b>Percentage by which distributable cash flow per Unit exceeds base threshold (1)</b>	<b>Maximum proportion of excess distributable cash available for LTIP payments</b>
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:

	<b>Three months to Sept 30</b>		<b>Nine months to Sept 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
LTIP expense	<b>463,540</b>	396,374	<b>1,341,540</b>	1,075,094
Proceeds of units sold			-	31,188
	<b>\$ 463,540</b>	<b>\$ 396,374</b>	<b>\$ 1,341,540</b>	<b>\$ 1,043,906</b>

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.

## DIRECTCASH INCOME FUND

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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, tax will be applied to distributions from Canadian public income trusts. This 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	2009
Non-capital losses	4,696	
Unit issue cost balance	268	
Excess of tax pools over net book value of fixed and intangible assets	1,295	826
FIT asset	6,259	826

### 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 two of the 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 nine months ended September 30, 2010, DirectCash paid \$393,901 and \$972,225 (2009: \$149,677 and \$518,192) of fees to DC Bank associated with various agreements with DC Bank.

**DIRECTCASH INCOME FUND**  
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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		Nine months ended	
	Sept 30		Sept 30	
	2010	2009	2010	2009
ATM Business	\$ 12,376	\$ 11,268	\$ 32,992	\$ 31,959
Prepaid products business	16,363	13,234	48,172	39,225
Debit terminal business	534	543	1,612	1,402
<b>Total Revenue</b>	<b>\$ 29,273</b>	<b>\$ 25,045</b>	<b>\$ 82,776</b>	<b>\$ 72,586</b>

**Cost of Sales by Line of Business**

(thousands)	Three months ended		Nine months ended	
	Sept 30		Sept 30	
	2010	2009	2010	2009
ATM Business	\$ (5,329)	\$ 4,954	\$ (14,095)	\$ 13,294
Prepaid products business	(10,183)	8,620	(29,993)	26,050
Debit terminal business	(106)	157	(356)	390
<b>Total</b>	<b>\$ (15,618)</b>	<b>\$ 13,731</b>	<b>\$ (44,444)</b>	<b>\$ 39,734</b>

**Gross profit by Line of Business**

(thousands)	Three months ended		Nine months ended	
	Sept 30		Sept 30	
	2010	2009	2010	2009
ATM Business	\$ 7,047	\$ 6,314	\$ 18,897	\$ 18,665
	56.9%	56.0%	57.3%	58.4%
Prepaid products business	6,180	4,614	18,179	13,175
	37.8%	34.9%	37.7%	33.6%
Debit terminal business	428	386	1,256	1,012
	80.1%	71.1%	77.9%	72.2%
<b>Total</b>	<b>\$ 13,655</b>	<b>\$ 11,314</b>	<b>\$ 38,332</b>	<b>\$ 32,852</b>

DirectCash has two customers which accounted for approximately 27% and 8% respectively, of DirectCash's overall revenues for the quarter ended September 30, 2010 (2009, two customers – 23% 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 nine months ended September 30, 2010 amounted to \$3,049,726 (2009 - \$2,759,256) and total capital assets attributed to Mexico operations as of September 30, 2010 were recorded at \$1,351,907 (2009 - \$809,508).

**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 INCOME FUND

Notes to Consolidated Financial Statements  
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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 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.

## DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements  
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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 September 30, 2009.

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 \$26,000 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 nine months ended September 30, 2010, DirectCash recorded \$139,415 (2009: \$36,669) of bad debt expense related to accounts receivable that may not be collectible.

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

Current	\$	1,507,774
Past due (31-90 days)		596,422
Past due (>90 days)		741,802
Trade accounts receivable	\$	2,845,998
Miscellaneous accounts receivable		473,245
	\$	3,319,243

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 September 30, 2010, if underlying market interest rates had increased/decreased by 1% with all other variables held constant, net earnings would have been approximately \$98,000 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.

## **DIRECTCASH INCOME FUND**

Notes to Consolidated Financial Statements  
September 30, 2010 and 2009

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### **18. Subsequent events:**

On September 21, 2010, the Fund gave notice of a special meeting of unitholders, to be held on November 15, 2010. The purpose of the meeting is to consider and vote on a plan of arrangement that would result in the reorganization of the Fund into a corporation. On October 20, 2010, a management information circular was published containing details of the proposed plan of arrangement.

Subsequent to the quarter, The Fund acquired certain assets of a privately held corporation engaged in the ATM business for consideration of \$1.3 million plus vault cash, 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. DirectCash also acquired the residual rights to processing contracts from a distributor for \$257,500.

### **19. Comparative figures:**

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

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