

Consolidated Financial Statements



For the Three and Nine Months Ended September 30, 2011

DirectCash Payment Inc.
Condensed Consolidated Interim Statement of Financial Position
(unaudited)

	Note	September 30 2011	December 31 2010
Assets			
Current assets:			
Cash in circulation		\$ 48,750,956	\$ 51,437,221
Restricted funds		15,848,441	12,559,937
Trade and other receivables		4,534,091	3,196,041
Inventories		3,005,817	4,148,139
Prepaid expenses		1,152,651	525,930
		73,291,956	71,867,268
Deferred tax asset		3,360,913	6,259,295
Property and equipment	4	11,068,822	10,871,868
Intangible assets		17,686,552	25,924,606
Goodwill		52,365,652	52,365,652
		\$ 157,773,895	\$ 167,288,689
Liabilities and Shareholders' equity			
Current liabilities:			
Revolving credit facility		\$ 10,330,700	\$ 23,770,651
Acquisition credit facility		31,372,625	29,571,250
Restricted funds liability		15,848,441	12,559,937
Trade and other payables		14,191,263	9,416,755
Income tax payable		781,882	-
Dividends payable		1,591,518	5,051,338
		74,116,429	80,369,931
Non-current liabilities:			
Deferred rent		112,625	132,410
Deferred revenue		66,667	104,167
		179,292	236,577
Shareholders' equity:			
Capital contributions:			
Share capital	5 (b)	194,990,139	194,990,139
Contributed surplus (current and unvested LTIP)	5 (d)	2,308,339	2,293,257
Shares held in trust by LTIP Trustee	5 (e)	(1,641,357)	(1,472,152)
Accumulated other comprehensive income		(158,385)	340,334
Deficit		(112,020,562)	(109,469,397)
Total Shareholders' equity		83,478,174	86,682,181
		\$ 157,773,895	\$ 167,288,689

Contingencies 12
Subsequent event 13

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, 2011

DirectCash Payment Inc.
Condensed Consolidated Interim Statement of Comprehensive Income (loss)
(unaudited)

	Note	For the three months ended		For the nine months ended	
		September 30 2011	September 30 2010	September 30 2011	September 30 2010
Revenue:					
Recurring services		\$ 23,935,824	\$ 23,764,458	\$ 71,253,549	\$ 67,059,239
Products		4,482,734	5,465,293	15,039,620	15,653,452
Interest		47,135	43,914	165,832	63,610
		28,465,693	29,273,665	86,459,001	82,776,301
Other income (gain on acquisition)		-	-	-	4,238,335
Operating Expenses:					
Cost of recurring services		9,614,776	10,674,410	30,140,243	30,055,546
Cost of products		3,891,362	4,944,014	13,233,996	14,387,994
Personnel expenses		2,762,696	2,276,968	8,164,817	6,332,579
Long-term incentive plan	3 (d), 7	453,201	513,229	1,115,877	1,279,302
Other expenses		1,813,076	1,474,604	5,170,228	4,212,226
Depreciation of property and equipment		1,214,698	918,065	3,568,118	2,479,357
Amortization of intangible assets		2,741,220	2,537,935	8,358,789	6,704,388
Results from Operating Activities		22,491,029	23,339,225	69,752,068	65,451,392
Net Finance costs:					
Finance costs		(430,240)	(498,734)	(1,244,482)	(1,076,412)
Distributions on exchangeable partnership units	14 (a)	-	(1,430,889)	-	(5,007,617)
Net change in fair value of exchangeable partnership units	14 (a)	-	(13,251,388)	-	(16,873,391)
Unrealized loss on foreign exchange		4,610	(3,332)	3,597	(35,299)
		(425,630)	(15,184,343)	(1,240,885)	(22,992,719)
Net Income (loss) before income taxes		5,549,034	(9,249,903)	15,466,048	(1,429,475)
Current income tax expense	10	722,575	54,550	795,231	159,916
Deferred income tax expense (benefit)	10	447,027	318,869	2,898,328	(668,256)
Net Income (loss) for the period		4,379,432	(9,623,321)	11,772,489	(921,135)
Other comprehensive Income (loss)					
Exchange differences on translation of foreign operations		(630,520)	(28,055)	(498,719)	163,262
Comprehensive Income (loss)		(630,520)	(28,055)	(498,719)	163,262
Total Comprehensive Income (loss) for the period		3,748,912	(9,651,376)	11,273,770	(757,873)
Net income (loss) per share:					
Basic	8	\$ 0.32	\$ (1.14)	\$ 0.86	\$ (0.12)
Diluted	8	\$ 0.32	\$ (1.14)	\$ 0.85	\$ (0.12)

See accompanying notes to the consolidated financial statements.

DirectCash Payments Inc.

Condensed Consolidated Interim Statement of Changes in Equity

(unaudited)

	Note	Participating trust units	Share Capital	Shares held in trust by LTIP Trustee	Contributed surplus (current and unvested LTIP)	Foreign currency translation reserve	Deficit	Total
As at January 1, 2010		\$ 72,604,632		\$ (1,658,656)		\$ 257,262	\$ (85,581,467)	\$ (14,378,228)
Net income for the period							(921,135)	(921,135)
Other comprehensive income for the period						163,262		163,262
Total comprehensive income for the period		72,604,632	-	(1,658,656)	-	420,524	(86,502,602)	(15,136,101)
Exchanging of units (from exch to trust units)		6,156,000						6,156,000
Units issued for cash		25,002,500						25,002,500
Transaction costs, net of tax		(1,006,295)						(1,006,295)
Share based payment transactions (LTIP)				186,504			489,367	675,871
Distributions							(9,302,564)	(9,302,564)
As at September 30, 2010		\$ 102,756,837	\$ -	\$ (1,472,152)	\$ -	\$ 420,524	\$ (95,315,799)	\$ 6,389,410
Net income							(8,386,992)	(8,386,992)
Other comprehensive income for the period						(80,190)		(80,190)
Total comprehensive income for the period		102,756,837	-	(1,472,152)	-	340,334	(103,702,791)	(2,077,772)
Share based payment transactions (LTIP)				-	2,293,257			2,293,257
Distributions							(5,766,606)	(5,766,606)
Transaction costs, net of tax		(48,662)						(48,662)
units (prior to conversion to common shares)			92,281,964					92,281,964
Conversion to common shares		(102,708,175)	102,708,175					-
As at December 31, 2010		\$ -	\$ 194,990,139	\$ (1,472,152)	\$ 2,293,257	\$ 340,334	\$ (109,469,397)	\$ 86,682,181
Net income for the period							11,772,489	11,772,489
Other comprehensive income for the period						(498,719)		(498,719)
Total comprehensive income for the period		-	194,990,139	(1,472,152)	2,293,257	(158,385)	(97,696,908)	97,955,951
Share based payment transactions (LTIP)	3 (d), 7			(169,205)	15,082			(154,123)
Dividends	6						(14,323,654)	(14,323,654)
As at September 30, 2011		\$ -	\$ 194,990,139	\$ (1,641,357)	\$ 2,308,339	\$ (158,385)	\$ (112,020,562)	\$ 83,478,174

See accompanying notes to the consolidated financial statements.

DirectCash Payment Inc.
Condensed Consolidated Interim Statement of Cash Flows

(unaudited)

	Note	For the three months ended		For the nine months ended	
		September 30 2011	September 30 2010	September 30 2011	September 30 2010
Cash provided by (used in):					
Operations:					
Net income (loss) for the period		\$ 4,379,432	\$ (9,623,321)	\$ 11,772,489	\$ (921,135)
Add items not involving cash:					
Income tax		1,169,602	373,419	3,693,559	(508,339)
Gain on acquisition		-	-	-	(4,238,335)
Unrealized loss on foreign exchange		(4,610)	3,332	(3,597)	35,299
LTIP expense	3 (d), 7	453,201	513,229	1,115,877	1,279,302
Finance costs		430,240	498,734	1,244,482	1,076,412
Distributions on exchangeable partnership units	14 (a)	-	1,430,889	-	5,007,617
Net change in fair value of exchangeable partnership units	14 (a)	-	13,251,388	-	16,873,391
Depreciation of property and equipment		1,214,698	918,065	3,568,118	2,479,357
Amortization of intangible assets		2,741,220	2,537,935	8,358,789	6,704,388
		10,383,783	9,903,670	29,749,717	27,787,957
Changes in non-cash working capital					
Trade and other receivables		(793,980)	(771,358)	(1,338,050)	(1,222,136)
Inventories		546,820	(374,701)	1,142,322	(433,552)
Prepaid expenses		(46,109)	(33,174)	(626,721)	(498,517)
Trade and other payables		2,156,037	2,056,325	4,774,508	2,266,652
Other		(19,125)	(19,125)	(57,285)	(117,745)
		1,843,643	857,967	3,894,774	(5,298)
Cash generated from operations		12,227,426	10,761,637	33,644,491	27,782,659
Distributions on exchangeable partnership units		-	(1,474,589)	-	(5,051,317)
Interest paid		(430,240)	(498,734)	(1,244,482)	(1,076,412)
Paid to LTIP trustee (pursuant to the LTIP agreement)	3 (f), 7	-	-	(1,270,000)	(1,024,389)
Income tax paid		(13,349)	(54,550)	(13,349)	(159,916)
Net cash from operating activities		11,783,837	8,733,764	31,116,660	20,470,625
Investing:					
Acquisition of property and equipment		(641,494)	(1,117,279)	(3,765,018)	(3,214,321)
Acquisition of intangible assets		(60,682)	(255,106)	(120,736)	(2,935,039)
Business acquisitions (net of cash acquired)		-	(15,917,779)	-	(16,667,779)
Net cash from investing activities		(702,176)	(17,290,164)	(3,885,754)	(22,817,139)
Financing:					
Acquisition credit facility		-	(6,552,375)	1,801,375	(6,552,375)
Issue of units - net of issue costs		-	23,660,719	-	23,660,719
Distributions/dividends to shareholders		(4,774,551)	(2,827,312)	(17,783,473)	(9,101,315)
Net cash from financing activities		(4,774,551)	14,281,032	(15,982,098)	8,007,029
Increase in cash and cash equivalents		6,307,110	5,724,632	11,248,808	5,660,516
Cash and cash equivalents, beginning of period		32,739,055	18,209,117	27,666,570	18,113,885
Effect of foreign exchange translation		(625,909)	(31,387)	(495,122)	127,962
Cash and cash equivalents, end of period		\$ 38,420,256	\$ 23,902,362	\$ 38,420,256	\$ 23,902,362
Cash and cash equivalents is comprised of:					
Cash in circulation		48,750,956	36,244,760	48,750,956	36,244,760
Revolving credit facility		(10,330,700)	(12,342,398)	(10,330,700)	(12,342,398)
		\$ 38,420,256	\$ 23,902,362	\$ 38,420,256	\$ 23,902,362

See accompanying notes to the consolidated financial statements.

DIRECTCASH PAYMENTS INC.

Notes to Consolidated Financial Statements
September 30, 2011 and 2010

1. Corporate information

DirectCash Payments Inc. ("**DCPayments**") is a publicly traded corporation and is incorporated and domiciled in Canada. DCPayments' head and registered office is located at #6, 1420 – 28 Street N.E., Calgary, Alberta.

DCPayments acquired and assumed, directly or indirectly, 100% of the assets and liabilities, previously held in the DirectCash Income Fund (the "**Fund**") and the DirectCash Commercial Trust ("**DCCT**") pursuant to a plan of arrangement (the "**Arrangement**") under the Business Corporation Act (Alberta). The Arrangement was completed in a number of sequential steps timed from 4:58 p.m. on December 31, 2010 to 12:01 a.m. on January 1, 2011 and which involved DCPayments, the Fund, the Fund's subsidiaries and the securityholders of the Fund. The Fund was dissolved pursuant to the Arrangement effective January 1, 2011. The consolidated financial statements follow the continuity of interest basis of accounting whereby DCPayments is considered a continuation of the Fund. As a result, the comparative balance sheet, statement of comprehensive income and cash flows include the Fund's results of operations for the period up to and including December 31, 2010. All references to shares, dividends and shareholders in the consolidated financial statements and notes pertain to common shares and common shareholders subsequent to the Arrangement and units, distributions and unitholders prior to the Arrangement.

DCPayments holds all of the issued and outstanding shares of DirectCash Management Inc. and 99.9% of the limited partnership units of DirectCash Limited Partnership ("**DirectCash LP**"), established under the laws of Alberta. DirectCash Limited Partnership, 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. Pursuant to one of the steps of the Arrangement, the 2 corporations who previously held exchangeable units of DirectCash LP exchanged all of those units into Common Shares of DCPayments – with the result that all of the subsidiaries of DCPayments are 100% controlled (directly or indirectly) by DCPayments with no outside third party minority interests held in any of the subsidiaries.

"**DirectCash**" means, collectively, DirectCash Management Inc., DirectCash Limited Partnership, the Management Partnership, the 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., DirectCash Management UK Limited 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, DCPayments and the entities comprised in the definition of "DirectCash".

These consolidated financial statements have been prepared by management from the historical records of DCPayments and its subsidiaries. DCPayments operates in Canada, the US, Mexico and Australia and is the leading provider of ATMs, debit terminals, prepaid phone cards and prepaid cash cards in Canada.

DIRECTCASH PAYMENTS INC.

Notes to Consolidated Financial Statements
September 30, 2011 and 2010

2. Basis of presentation

Statement of compliance

The condensed consolidated interim financial statements for the period ended September 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are DCPayments' third IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with our Canadian GAAP annual financial statements for the year ended December 31, 2010. Reference can also be made to DCPayments' March 31, 2011 financial statements to further understand the effects of the transition from GAAP to IFRS reporting.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of DCPayments is provided in note 14. This note includes reconciliations of equity and total comprehensive income for comparative periods reported under previous Canadian GAAP to those reported for those periods and at the date of transition under IFRS. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used they are explained in note 14. Throughout these condensed consolidated interim financial statements, supplemental IFRS information for the year ended December 31, 2010 is included that is considered material to the understanding of these condensed consolidated interim financial statements.

The policies applied in these condensed consolidated interim financial statements are presented in note 3 and are based on IFRS issued and outstanding as of November 8, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in DCPayments' annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars – which is DCPayments' functional currency – and were prepared on a going concern basis, under the historical cost basis, except for the liability accounted for share-based payment arrangements that are measured at fair value and the exchangeable partnership units that are measured at fair value in the comparative periods prior to the conversion to common shares pursuant to the Arrangement.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities

DIRECTCASH PAYMENTS INC.

Notes to Consolidated Financial Statements
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at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best approximation of the amount, event or actions, actual results ultimately may differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of (a) its fair value less costs to sell and (b) its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that DirectCash Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DirectCash Group reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Useful lives of equipment

DirectCash Group estimates the useful lives of equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase the recorded expenses and decrease the non-current assets.

DIRECTCASH PAYMENTS INC.

Notes to Consolidated Financial Statements
September 30, 2011 and 2010

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by DCPayments. Control exists when DCPayments has the power (directly or indirectly) to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of DCPayments' interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations

DCPayments uses the acquisition method of accounting to account for business combinations. Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of comprehensive income.

DirectCash Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that DirectCash Group incurs in connection with a business combination are expensed as incurred.

B. 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 the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

DIRECTCASH PAYMENTS INC.

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Revenue is recognized when strong evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

C. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, DirectCash Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to DirectCash Group the right to control the use of the underlying asset.

D. Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if DirectCash Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

LTIP

DirectCash LP operates a Long-Term incentive plan ("LTIP") under which it receives services from employees as consideration for cash payments paid to the LTIP plan trustee (which in turn are later used by the trustee to purchase shares of DCPayments). For IFRS financial reporting purposes, it has been determined that the LTIP is required to be reported as an "equity settled" plan - therefore, the accounting of the LTIP has been recorded as equity settled although DirectCash LP does not dilute equity or issue treasury shares as part of the LTIP (i.e. DirectCash LP only pays cash which the LTIP trustee uses to buy units on the open market and not from treasury). For the period that the corporation was an income fund, the LTIP has been accounted for as a liability-settled plan as the plan involved units that had a redemption feature.

Because (a) LTIP participants' rights under the LTIP typically accrue over a staged vesting period and (b) if a LTIP participant's ceases to be employed within the DirectCash Group the LTIP sells the participant's unvested shares back into market and returns the proceeds to DirectCash LP, the

DIRECTCASH PAYMENTS INC.

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expense associated with the cash settlements made are expensed over the periods that the employees unconditionally become entitled to the awards.

For liability-settled plans (in the comparative period), the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For awards that vest over a period of time (graded vesting), the fair value of each tranche is recognized over its respective vesting period.

E. Finance income and finance cost

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings (e.g. credit facilities), stamping fees, facility fees, accrual of differences between amounts advanced and the principal repayable (i.e. discounted obligations), distributions on exchangeable partnership units classified as liabilities (in the comparative period) and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

F. Non-derivative financial instruments

Non-derivative financial instruments are recognized when DirectCash Group becomes a party to the contractual provisions of the instrument (e.g. at the date they are originated). Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and DirectCash Group has transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that is created or retained by DirectCash Group is recognized as a separate asset or liability. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, DirectCash Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

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Financial assets

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in circulation and restricted cash and are measured at fair value.

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade and other receivables.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include trade and other payables, bank debt and due to related parties. DirectCash Group recognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Shareholders' equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Shares held in trust by LTIP trustee

Because IFRS requires that the LTIP be treated as "equity settled" (notwithstanding that DirectCash LP only pays out cash to settle DirectCash LP's obligations under the LTIP and under no circumstances can the shares purchased by the LTIP Trustee ever be cancelled back to treasury of DCPayments) all payments to the LTIP Trustee by DirectCash LP are initially classified as shares held in trust by LTIP Trustee for financial reporting purposes. Because of this IFRS treatment, DCPayments shares held by the LTIP Trustee which have not been completely vested to the LTIP participants are classified as shares held in trust by LTIP Trustee and are presented as a separate category of equity. Thereafter when either: (a) LTIP shares are fully vested to an LTIP Participant or (b) a LTIP participant ceases to hold a position within the DirectCash Group before their shares vest and the LTIP Trustee sells the unvested shares back into the market, the amount (a) attributed to the LTIP participant as a benefit upon vesting of the shares to the LTIP participant or (b) received for the shares when sold back into the market the LTIP Trustee, is deducted from the shares held in trust by LTIP Trustee balance, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

G. Inventories

Inventories consist primarily of ATMs, debit terminals, related spare parts and accessories held for sale, prepaid product vouchers, prepaid telecommunications cards and prepaid debit and credit

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cards. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average and includes expenditures incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

H. Property, Plant and Equipment

Initial recognition and measurement

Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of equipment includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent measurement

The cost of replacing part of an item of equipment is recognized as part of the carrying amount of such item, if it is probable that the future economic benefits embodied within the item will flow to DirectCash Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value and is provided on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative period are as follows:

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	3 years
Other	5 years

The residual values, useful lives and methods of depreciation are reviewed annually and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item.

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I. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of DirectCash Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and measured at cost less accumulated impairment losses. For measurement of goodwill at initial recognition, see note 3 (a) Business Combinations. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP.

Other intangible assets

Other intangible assets are primarily comprised of ATM and debit terminal processing contracts, as well as prepaid card program management contracts.

Typically, ATM and debit terminal processing contracts have an initial 5-7 year term and generally include an equivalent 5-7 year term 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 card program management contracts have more customized provisions but typically have an initial 10-year term with similar renewal and ROFR provisions similar to those in 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 card program management contracts are amortized over the remaining life of the initial contract term, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of such contracts typically is only relevant in the case of contracts acquired by DirectCash Group from competitors in acquisition transactions. The majority of such contracts arise from customers entering the contracts directly with DirectCash in the first instance and have negligible costs associated with them to be amortized over any period.

J. Impairment

Non-financial assets

The carrying amounts of DirectCash Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market

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assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is done to the operating segments and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

DirectCash Group’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets (including receivables)

DCPayments assesses, at the end of each reporting period, whether there is objective evidence that financial assets carried at amortized cost are impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (i.e. loss events) are considered objective evidence of impairment. A financial asset is impaired when the loss event that had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

DirectCash Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment DirectCash Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

K. 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 trade payables and accrued liabilities.

L. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent it relates to a business combination, to items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of good will. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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M. Foreign currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, a adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian Dollars at the exchange rate at the end of the reporting period. The income and expense of foreign operations are translated at average rates of exchange for the period (which is considered to approximate the exchange rates at the date of the transactions). The resulting foreign currency differences are included in accumulated other comprehensive income in shareholders' equity.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary where there is a non-controlling interest that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a wholly owned subsidiary with a foreign operation, the relevant proportion is reclassified to profit or loss.

N. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of shares) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor. In accordance with IFRS, LTIP shares purchased and held by the LTIP Trustee are also adjusted for in this calculation.

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, and

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for the effects of all dilutive potential common shares. In accordance with IFRS, LTIP shares purchased and held by the LTIP Trustee are also adjusted for in this calculation.

O. Segment reporting

An operating segment is a component of DirectCash Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of DirectCash Group's other components. All operating segments' operating results are reviewed regularly by DCPayments' CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

P. Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, equity settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as operating activities. Interest paid is also included in operating activities.

Q. Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010. The standards impacted that are applicable to DCPayments are as follows:

- IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. For annual periods beginning before January 1, 2013, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

In May 2011, the IASB issued four new standards. Three of these items related to consolidation, while the remaining one addresses fair value measurement. All of the new standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted.

- IFRS 10. "Consolidated Financial Statements" replaces IAS 27 "Consolidated Separate Financial Statements". It introduces a new principle-based definition of control applicable

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to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control.

- IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures". IFRS 11 divides joint arrangements into two types, each having its own accounting model. A "joint operation" continues to be accounted for using proportionate consolidation, where a "joint venture" must be accounted for using equity accounting. This differs from IAS 31 where there was the choice to use proportionate consolidation or equity accounting for joint ventures. A "joint operation" is defined as the joint operators having rights to the assets, and obligations for the liabilities relating to the arrangement. In a "joint venture", the joint ventures' have rights to the net assets of the arrangement, typically through their investment in a separate joint venture entity.
- IFRS 12 "Disclosure of Interests in Other Entities" is a new standard which combines all of the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.
- IFRS 13 "Fair Value Measurement" is a new standard meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

The Company is currently evaluating the impact of adopting all of these newly issued or amended standards.

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4. Property and Equipment

	ATM equipment	Office Equipment, computers & other	Automobiles	Debit terminal equipment	Total
Cost					
At January 1, 2010	7, 774,858	6, 536,961	677, 864	852, 856	15, 842,539
Additions	5, 084,879	2, 975,285	194, 040	225, 911	8, 480,116
Disposals	(1,484,571)	(5,275)	(45,860)	(112,264)	(1,647,970)
Exchange differences	4, 750	329	312	-	5, 391
At December 31, 2010	11, 379,916	9, 507,299	826, 356	966, 503	22, 680,075
Additions	3, 030,066	1, 583,468	162, 229	167, 536	4, 943,299
Disposals	(2,319,632)	(529)	(22,102)	(107,976)	(2,450,239)
Exchange differences	(78,207)	(33,062)	(3,485)	-	(114,754)
At Sept 30, 2011	12, 012,144	11, 057,175	962, 998	1, 026,063	25, 058,380
Depreciation and impairment					
At January 1, 2010	(4,225,913)	(3,973,548)	(367,148)	(393,724)	(8,960,333)
Depreciation expense	(1,566,025)	(1,660,235)	(170,801)	(168,256)	(3,565,317)
Disposals	629, 837	262	45, 860	42, 191	718, 149
Exchange differences	(612)	(33)	(60)	-	(705)
At December 31, 2010	(5,162,714)	(5,633,554)	(492,149)	(519,789)	(11,808,206)
Depreciation expense	(1,524,642)	(1,729,888)	(182,822)	(130,766)	(3,568,118)
Disposals	1, 300,056	9	22, 102	40, 616	1, 362,782
Exchange differences	28, 613	(2,073)	(2,557)	-	23, 983
At Sept 30, 2011	(5,358,687)	(7,365,507)	(655,426)	(609,938)	(13,989,559)
Net book value					
At December 31 , 2010	6, 217,202	3, 873,745	334, 207	446, 714	10, 871,868
At Sept 30, 2011	6,653,456	3,691,669	307,572	416,125	11,068,822

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5. Share capital

A. Authorized shares

DCPayments is authorized to issue (a) an unlimited number of common shares and (b) an unlimited number of Preferred Shares (issuable in series). Only common shares have been issued.

B. Issued and fully paid shares

	Number of Units/Shares	Capital Contribution
As at December 31, 2009 (units)	7,941,775	\$ 72,604,632
Issued for Exchangeable units (fair value as at July 7, 2010)	380,000	6,156,000
Issued for cash (September 15, 2010)	1,370,000	25,002,500
Issue costs (net of tax)	-	(1,054,957)
Sub-Total prior to conversion (units)	9,691,775	102,708,175
Conversion to common shares pursuant to Arrangement	(9,691,775)	\$ (102,708,175)
Balance as at December 31, 2010 (units)	-	-
Conversion to common shares pursuant to Arrangement	9,691,775	102,708,175
Conversion of exchangeable partnership units pursuant to Arrangement (fair value as at December 31, 2010)	4,147,504	92,281,964
Common Shares as at December 31, 2010 and September 30, 2011	13,839,279	\$ 194,990,139

C. Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

D. Contributed surplus

The contributed surplus reserve is used to recognize the fair value of LTIP grants to employees, including key management personnel, as part of their remuneration. When shares held in trust for plan beneficiaries subsequently vest and are released by the LTIP trustee to the plan beneficiaries, contributed surplus is transferred back to share capital. Refer to Notes 3 (f) and 7 for further details of the LTIP plan and the IFRS accounting for the LTIP plan.

	September 30, 2011	December 31, 2010
Balance as at January 1	\$ 2,293,257	\$ -
Modification of cash settled to equity settled awards upon conversion	-	2,293,257
LTIP vested during the period	(1,100,795)	-
Share-based compensation expense recognized during the period	1,115,877	-
	\$ 2,308,339	\$ 2,293,257

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E. Shares held in trust by LTIP Trustee

The cumulative balance of shares held in trust by LTIP Trustee comprises the cost of DCPayments' shares held by the Trustee under DirectCash LP's long-term incentive plan ("LTIP") that have not become irrevocably vested to the participants under the LTIP (see note 3 (f) regarding LTIP and treatment of these shares held in trust by LTIP Trustee under IFRS). At September 30, 2011 the trustee under the DirectCash LP LTIP held \$1,641,357 of DCPayments' shares (December 31, 2010: \$1,472,152).

	September 30, 2011	September 30, 2010	December 31, 2010
Balance as at January 1	\$ 1,472,152	\$ 1,658,656	\$ 1,658,656
LTIP vested	(1,100,795)	(1,210,881)	(1,210,881)
Shares purchased and held by LTIP Trustee	1, 270,000	1, 024,377	1, 024,377
	\$ 1, 641,357	\$ 1, 472,152	\$ 1, 472,152
# of Shares held by LTIP Trustee	84, 429	107, 862	107, 862

6. Dividends declared

The following dividends were declared by DCPayments during the periods indicated.

	For the three months ended		For the nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
11.5 cents monthly per qualifying common share (2010: 11.5 cents monthly; additional 10 cent special issued in May 2010)	\$ 4,774,551	\$ 3,028,562	\$ 14,323,654	\$ 9,302,564

DCPayments' policy is to pay dividends on or about the last day of each month to shareholders of record on the last business day of the preceding month. The difference from prior year quarter can be attributed to distributions paid on the exchangeable partnership units being classified as interest expense under IFRS. See note 14 (a) for more details on this change.

7. Share-based payment plans Long-term incentive plan ("LTIP")

DirectCash LP's LTIP requires DirectCash LP to pay a calculated amount of cash to the trustee as defined under the "LTIP Agreement". Prior to conversion of the Fund to a corporation on December 31, 2010 (see note 1), the amount required to be paid was based upon the amount by which the Fund's per unit "Distributable Cash Flow" exceeded certain defined threshold amounts. After December 31, 2010, this calculated amount of cash is based upon the amount by which DCPayments' per share Distributable Cash Flow exceeded certain defined threshold amounts. The following table describes how the amount of cash required to be paid to the LTIP Trustee is calculated. The base threshold used in the calculation is changed by resolution of the Board of Directors from time to time.

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Percentage by which “Distributable Cash Flow” per share exceeds base threshold (1)	Proportion of excess paid to Plan Trustee
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 between 5% to 10% , plus 20% of any excess between 10% to 20%
greater than 20%	10% of any excess between 5% to 10% , plus 20% of any excess between 10% to 20% , plus 30% of any excess over 20%

(1) \$1.99 per Share per fiscal year (2010: \$1.99 per Share).

LTIP shares 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 LTIP rights awarded on the date of the grant. This value is expensed over the vesting period. Unvested shares of those that are no longer employed are sold in the open market and the proceeds credited to the LTIP expense, or reallocated to remaining participants.

On December 31, 2010, the Fund converted to a corporation and in accordance with IFRS it has been determined that the LTIP plan needs to be accounted for as an equity settled plan going forward (prior to the conversion to a corporation the LTIP plan was accounted for as cash settled); however, DCPayments does not dilute equity as part of the plan – DirectCash LP pays cash to the LTIP Trustee who buys shares in the open market (and not from treasury). See note 3 (f) for further details of the LTIP plan.

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8. Earnings per share

Basic and diluted earnings per share

	Net Income for the period	Weighted average number of shares	Per share amount \$
As at September 30, 2011 - YTD			
Basic earnings per share	\$ 11, 772,489	13, 745,109	0. 86
Diluted earnings per share	\$ 11, 772,489	13, 839,279	0. 85
As at September 30, 2011 - quarterly			
Basic earnings per share	\$ 4, 379,432	13, 754,850	0. 32
Diluted earnings per share	\$ 4, 379,432	13, 839,279	0. 32
As at September 30, 2010 - YTD			
Basic earnings per share	\$ (921,135)	8, 005,949	(0.12)
Diluted earnings per share	\$ (921,135)	8, 005,949	(0.12)
As at September 30, 2010 - quarterly			
Basic earnings per share	\$ (9,623,321)	8, 408,370	(1.14)
Diluted earnings per share	\$ (9,623,321)	8, 408,370	(1.14)

Weighted average number of common shares

The weighted average number of common shares outstanding is calculated as follows:

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Issued common shares/units as at January 1	13, 839,279	7,941,775	13,839,279	7,941,775
Effect of shares issued for exchangeable units (July 7, 2010)	-	351,087	-	118,315
Effect of shares issued for cash (September 15, 2010)	-	223,370	-	75,275
	13,839,279	8,516,232	13,839,279	8,135,365
Effect of LTIP shares held in trust by LTIP Trustee (see note 3 (f) and 5 (e))	(84,429)	(107,862)	(94,170)	(129,415)
Weighted Average number of shares/units	13,754,850	8,408,370	13,745,109	8,005,949

Weighted average number of common shares (diluted)

The weighted average number of common shares outstanding (after the adjustment for the effects of all dilutive potential common shares) is calculated as follows:

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Weighted average number of shares/units (basic)	13,754,850	8,408,370	13,745,109	8,005,949
Effect of LTIP shares held in trust by LTIP Trustee (see note 3 (f) and 5 (e))	84,429	-	94,170	-
Weighted Average number of shares/units (diluted)	13,839,279	8,408,370	13,839,279	8,005,949

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9. Related party transactions

DirectCash Bank

DirectCash Group is party to various services and marketing agreements with DirectCash Bank (“DC Bank”), whereby DirectCash Group will provide transaction processing and technology services to DC Bank and DC Bank provides services and products to DirectCash Group or its 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 Group, who continue to maintain significant ownership in DCPayments. One of DC Bank’s significant shareholders (indirectly through holding corporations) is also DCPayments’ President and CEO. Another of DC Bank’s significant shareholders is also a director of DCPayments.

During the three and nine months ended September 30, 2011, DirectCash Group paid \$479,201 and \$1,410,306 (2010: \$393,901 and \$972,225) of fees to DC Bank as associated with various agreements with DC Bank. The related party balance payable to DC Bank at September 30, 2011 was \$159,094 (December 31, 2010: \$497,643).

Key Management Remuneration

Key management personnel receive compensation in the form of short-term employee benefits and share-based payments (see note 7). DirectCash Group has paid out key management remuneration \$1,652,109 for the year ended December 31, 2010 (split between short-term employee benefits of \$802,083 and share-based payments (LTIP) of \$850,026).

10. Income tax expense

Income tax expense is recognized based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. DCPayments’ consolidated effective tax rate for the nine months ended September 30, 2011 was 23.9% (September 30, 2010 was 35.6%). The change in the effective tax rate was caused mainly by the 2010 Mint acquisition and the related recognition of the associated deferred tax assets and the impact of the change from Canadian GAAP to IFRS on the measurement of temporary differences within the non-corporately structured entities. See note 14 (c) for more details on this change.

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11. Segment information

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

(\$ thousands)	ATM	Prepaid product	Debit terminal	Total
For the nine months ended September 30, 2011				
Revenues	\$ 39,954	\$ 45,008	\$ 1,496	\$ 86,459
Cost of good sold	17,827	25,219	327	43,374
Gross profit	22,127	19,789	1,169	43,085
Gross profit as a %	55.4%	44.0%	78.1%	49.8%
For the nine months ended September 30, 2010				
Revenues	\$ 32,992	\$ 48,172	\$ 1,612	\$ 82,776
Cost of good sold	14,096	29,993	356	44,445
Gross profit	18,897	18,179	1,256	38,332
Gross profit as a %	57.3%	37.7%	77.9%	46.3%
For the three months ended September 30, 2011				
Revenues	\$ 13,660	\$ 14,334	\$ 472	\$ 28,466
Cost of good sold	5,907	7,494	105	13,506
Gross profit	7,753	6,839	367	14,959
Gross profit as a %	56.8%	47.7%	77.7%	52.5%
For the three months ended September 30, 2010				
Revenues	\$ 12,376	\$ 16,363	\$ 534	\$ 29,273
Cost of good sold	5,329	10,183	106	15,618
Gross profit	7,047	6,180	428	13,655
Gross profit as a %	56.9%	37.8%	80.2%	46.6%

DirectCash has one customer which accounted for approximately 29% of DirectCash's overall revenues for the period ended September 30, 2011 (2010: 27%). The revenue from this customer is spread across all lines of business. DirectCash has contractual agreements to provide services to this customer.

DirectCash operates mainly in Canada, but has operations in Mexico and smaller operations in the United States and Australia. Revenue from Mexico for the three and nine months ended September 30, 2011 amounted to \$700,234 and \$2,885,042 (2010: \$914,647 and \$3,049,726) and total capital assets attributed to Mexico operations as of September 30, 2011 were recorded at \$1,415,122 (December 31, 2010: \$1,423,011).

DIRECTCASH PAYMENTS INC.

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12. 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 it 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 lawsuits are material in amount.

13. Events after the reporting period

Subsequent to the quarter, DCPayments acquired the shares of a corporation for \$2,000,000. This corporation holds contracts in the prepaid line of business, in addition to other assets.

DIRECTCASH PAYMENTS INC.

Notes to Consolidated Financial Statements

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14. Transition to International Financial Reporting Standards

As stated in note 2, these are DCPayments' third condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the three and nine months ended September 30, 2011, the comparative information presented in these interim financial statements for the three and nine months ended September 30, 2010, the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (DCPayments' date of transition).

In preparing its opening IFRS statement of financial position, DCPayments has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected DCPayments' financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The IFRS 1 standard allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principle of retrospective restatement. DCPayments has taken the following exemptions:

IFRS 2 – Share-based payments

This standard has not been applied to equity settled share based payment transactions where equity instruments were granted after November 7, 2002 but vested before January 1, 2010, DCPayments' transition date.

IFRS 3 – Business combinations

This standard has not been applied retrospectively to business combinations that took place before the transition date.

IFRIC 4 – Determining whether an arrangement contains a Lease

This IFRIC has not been applied retrospectively. DCPayments made an assessment as to whether an arrangement, existing at the transition date, contains a lease on the basis of the facts and circumstances existing at that date. The assessment was made in accordance with the requirements of IFRIC 4. DCPayments did not identify any arrangements containing a lease on the transition date.

IAS 23 – Borrowing cost

This standard has not been applied retrospectively. As at the transition date, DCPayments did not have any qualifying assets.

Consistent with DCPayments' accounting policy choice under IAS 7, Statement of Cash Flows, distributions/dividends paid of \$9,101,315 have been classified as financing activities for the nine months ending September 30, 2010 and \$17,783,473 for the nine months ending September 30, 2011. Interest paid and income taxes paid are included in the *Statement of Cash Flows*, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

DIRECTCASH PAYMENTS INC.
Notes to Consolidated Financial Statements
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DirectCash Payments Inc.
Reconciliation of Equity at September 30, 2010

	Notes	Canadian GAAP	Effects of Transition to IFRS	IFRS
Assets				
Current assets:				
Cash in circulation		\$ 36,244,760		\$ 36,244,760
Restricted funds		14,601,513		14,601,513
Trade and other receivables		3,949,978		3,949,978
Inventories		3,917,616		3,917,616
Prepaid expenses		877,139		877,139
		59,591,006	-	59,591,006
Deferred tax asset	c	6,259,295	725,188	6,984,483
Property and equipment		9,747,366		9,747,366
Intangible assets		27,190,429		27,190,429
Goodwill		52,365,652		52,365,652
		\$ 155,153,748	\$ 725,188	\$ 155,878,936
Liabilities and shareholders' equity				
Current liabilities:				
Revolving credit facility		\$ 12,342,398		\$ 12,342,398
Acquisition credit facility		25,947,625		25,947,625
Restricted funds liability		14,601,513		14,601,513
Trade and other payables		9,787,789		9,787,789
LTIP liability	b	991,540	813,987	1,805,527
Dividends payable		1,591,518		1,591,518
		65,262,383	813,987	66,076,370
Non-current liabilities:				
Deferred rent		139,035		139,035
Deferred revenue		116,667		116,667
Capital contributions:				
Exchangeable partnership units	a	-	83,157,455	83,157,455
		255,702	83,157,455	83,413,157
Shareholders' equity:				
Capital contributions:				
Shares		100,123,437	2,633,400	102,756,837
Exchangeable partnership units	a	38,440,673	(38,440,673)	-
Shares held in trust by LTIP Trustee	b	-	(1,472,152)	(1,472,152)
Accumulated other comprehensive income		420,523		420,523
Deficit		(49,348,970)	(45,966,829)	(95,315,799)
Total shareholders' equity		89,635,663	(83,246,254)	6,389,409
		\$ 155,153,748	725,188	\$ 155,878,936

DIRECTCASH PAYMENTS INC.
Notes to Consolidated Financial Statements
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DirectCash Payments Inc.
Reconciliation of Total Comprehensive Income (Loss) for the Three Months Ended September 30, 2010

	Note	Canadian GAAP	Effects of Transition to IFRS	IFRS
Revenue:				
Recurring services		\$ 23,764,458		\$ 23,764,458
Products		5,465,293		5,465,293
Interest		43,914		43,914
		29,273,665	-	29,273,665
Operating expenses:				
Cost of recurring services		10,674,410		10,674,410
Cost of products		4,944,014		4,944,014
Personnel expenses		2,276,968		2,276,968
Long-term incentive plan	b	463,540	49,689	513,229
Other expenses		1,474,604		1,474,604
Depreciation of property and equipment		918,065		918,065
Amortization of intangible assets		2,537,935		2,537,935
Results from operating activities		23,289,536	49,689	23,339,225
Net finance costs:				
Finance costs		(498,734)		(498,734)
Distributions on exchangeable partnership units	a		(1,430,889)	(1,430,889)
Net change in fair value of exchangeable partnership units	a		(13,251,388)	(13,251,388)
Unrealized loss on foreign exchange		(3,332)		(3,332)
		(502,066)	(14,682,277)	(15,184,343)
Net income (loss) before income taxes		5,482,063	(14,731,966)	(9,249,903)
Income tax - current		(54,550)		(54,550)
Deferred income tax	c	(208,174)	(110,695)	(318,869)
Net income (loss) for the period		5,219,340	(14,842,661)	(9,623,321)
Other comprehensive Income (loss)				
Exchange differences on translation of foreign operations (net of tax)		(28,055)		(28,055)
Comprehensive loss, net of tax		(28,055)	-	(28,055)
Total comprehensive income (loss) for the period		5,191,285	(14,842,661)	(9,651,376)

DIRECTCASH PAYMENTS INC.
Notes to Consolidated Financial Statements
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DirectCash Payments Inc.
Reconciliation of Total Comprehensive Income (Loss) for the Nine Months Ended September 30, 2010

	Note	Canadian GAAP	Effects of Transition to IFRS	IFRS
Revenue:				
Recurring services		\$ 67,059,239		\$ 67,059,239
Products		15,653,452		15,653,452
Interest		63,610		63,610
		82,776,300	-	82,776,300
Other income (gain on acquisition)		4,238,335		4,238,335
Operating expenses:				
Cost of recurring services		30,055,546		30,055,546
Cost of products		14,387,994		14,387,994
Personnel expenses		6,332,579		6,332,579
Long-term incentive plan	b	1,341,540	(62,238)	1,279,302
Other expenses		4,212,226		4,212,226
Depreciation of property and equipment		2,479,357		2,479,357
Amortization of intangible assets		6,704,388		6,704,388
Results from operating activities		65,513,629	(62,238)	65,451,391
Net finance costs:				
Finance costs		(1,076,412)		(1,076,412)
Distributions on exchangeable partnership units	a	-	(5,007,617)	(5,007,617)
Net change in fair value of exchangeable partnership units	a	-	(16,873,391)	(16,873,391)
Unrealized loss on foreign exchange		(35,299)		(35,299)
		(1,111,711)	(21,881,008)	(22,992,718)
Net income (loss) before income taxes		20,389,296	(21,818,770)	(1,429,474)
Income tax - current		(159,916)		(159,916)
Deferred income tax	c	405,450	262,806	668,256
Net income (loss) for the period		20,634,830	(21,555,964)	(921,134)
Other comprehensive income				
Exchange differences on translation of foreign operations (net of tax)		163,261		163,261
Comprehensive income, net of tax		163,261	-	163,261
Total comprehensive income (loss) for the period		20,798,091	(21,555,964)	(757,873)

DIRECTCASH PAYMENTS INC.

Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Notes to the Reconciliations of Equity and Total Comprehensive Income from Canadian GAAP to IFRS

- a. Before January 1, 2011, the DirectCash businesses were controlled by an income fund (i.e. the Fund). The units that the Fund issued had a redemption feature that provided the holder with a put option to redeem the units. In addition, DirectCash LP had issued exchangeable units that could be exchanged into units of the Fund by the holder. Both types of units are considered financial instruments under IFRS. DCPayments has met the IFRS requirements to classify the 'common' units as equity. However, the exchangeable DirectCash LP units do not meet the exemption requirements and are consequently classified as a liability upon transition. The liability is measured at fair value through profit or loss. The Fund converted from an income fund to a corporation on December 31, 2010 (through an exchange process), and all exchangeable DirectCash LP partnership units were converted into common shares of DCPayments on a one-for-one basis.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Nine months ended September 30, 2010	Year ended December 31, 2010
Increase in finance expense – distributions on exchangeable partnership units	5,007,617	7,475,382
Increase/(decrease) in finance expense – net change in fair value of exchangeable partnership units	16,873,391	25,997,900
Adjustment before income tax	\$ 21,881,008	\$ 33,473,282

Consolidated Statement of Financial Position	January 1, 2010	September 30, 2010	December 31, 2010
Increase in exchangeable partnership units	30,476,791	47,350,182	56,474,691
Decrease in distributions declared	-	-	-
Increase in deficit	\$ 30,476,791	\$ 47,350,182	\$ 56,474,691

- b. DirectCash LP has a long-term incentive plan in place under which it awards units to certain directors and employees. These awards were expensed in full under Canadian GAAP. DCPayments was structured as an income fund until December 31, 2010 (when the holders of the Fund units exchanged their units for shares of DCPayments and the Fund and DCCT were dissolved up into DCPayments). Because the units of the Trust contained a redemption feature, IFRS requires the related share-based payments to be accounted for as cash settled awards. Therefore, under IFRS a liability has been recognized at January 1, 2010 which is remeasured every reporting period (until the liability is settled) to reflect the fair value of the outstanding options.

DIRECTCASH PAYMENTS INC.
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The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive	Nine months ended September 30, 2010	Year ended December 31, 2010
Increase (decrease) in LTIP expense	(62,238)	447, 032
Adjustment before income tax	\$ (62,238)	\$ 447,032

Consolidated Statement of Financial Position	January 1, 2010	September 30, 2010	December 31, 2010
Increase/(decrease) in LTIP liability	1, 552,093	813, 987	(970,000)
Decrease in share capital – s shares held in trust by LTIP Trustee	(1,658,656)	(1,472,152)	(1,472,152)
Decrease in deficit	-	489, 364	489, 364
Increase in contributed surplus	-		2, 293,257
Increase in (deficit)/retained earnings	\$ (106,563)	\$ (168,801)	\$ 340,469

- c. Before January 1, 2011, the DirectCash businesses were controlled by an income fund. There are two separate income tax rates applied to income funds; for distributed profits the income tax rate of 0% applies while for undistributed profits the tax rate of 39% applies. IFRS specifically requires that income taxes are recognized at the rate applicable to undistributed funds (e.g. 39%). Therefore, under IFRS temporary differences residing in the income fund have been re-measured using the undistributed profits income tax rate of 39%.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Nine months ended September 30, 2010	Year ended December 31, 2010
Increase (decrease) in deferred income tax	(262,806)	462, 382
Adjustment before income tax	\$ (262,806)	\$ 462,382

Consolidated Statement of Financial Position	January 1, 2010	September 30, 2010	December 31, 2010
Increase in deferred tax asset	(462,382)	(725,188)	-
Increase in deficit	\$ (462,382)	\$ (725,188)	\$ -

- d. The above changes increased (decreased) deficit (each net of related tax) as follows:

	Note	January 1, 2010	September 30, 2010	December 31, 2010
Fair value of exchangeable partnership units	a	30, 476,791	47, 350,182	56, 474,691
Cash settled awards	b	(106,563)	(168,801)	340, 469
Deferred tax asset	c	(462,382)	(725,188)	-
Increase/decrease in deficit		\$ 29,907,846	\$ 46,456,193	\$ 56,815,160