



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and nine months ended March 31, 2009**

(UNAUDITED)



## INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	March 31 2009	March 31 2008	March 31 2009	March 31 2008
<b>REVENUE</b>				
Brokerage	\$ 36,294	\$ 31,305	\$ 110,553	\$ 96,077
Interest income	12	41	222	181
	<b>36,306</b>	<b>31,346</b>	<b>110,775</b>	<b>96,258</b>
<b>BRANCH EXPENSES</b>				
Salaries and benefits	10,249	8,627	29,566	25,985
Retention payments	4,537	4,800	13,388	15,882
Selling, general and administrative	4,752	4,431	13,300	12,351
Rent	2,956	2,591	8,312	7,505
Advertising and promotion	942	1,012	2,943	3,062
Amortization of capital assets	1,211	1,063	3,461	3,314
	<b>24,647</b>	<b>22,524</b>	<b>70,970</b>	<b>68,099</b>
<b>BRANCH OPERATING INCOME</b>	<b>11,659</b>	<b>8,822</b>	<b>39,805</b>	<b>28,159</b>
Regional expenses	2,140	1,730	5,885	5,455
Corporate expenses	4,523	2,829	11,619	7,661
Amortization of capital assets	300	171	778	358
Amortization of intangible assets	11	63	29	218
<b>INCOME BEFORE INCOME TAXES, CLASS ACTION SETTLEMENT AND DISCONTINUED OPERATIONS</b>	<b>4,685</b>	<b>4,029</b>	<b>21,494</b>	<b>14,467</b>
Class action settlement - Note 12	-	-	1,910	-
<b>INCOME FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>4,685</b>	<b>4,029</b>	<b>19,584</b>	<b>14,467</b>
<b>PROVISION FOR INCOME TAXES</b>				
Current	1,344	1,299	2,307	5,057
Future	274	24	3,864	78
	<b>1,618</b>	<b>1,323</b>	<b>6,171</b>	<b>5,135</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>3,067</b>	<b>2,706</b>	<b>13,413</b>	<b>9,332</b>
<b>LOSS FROM DISCONTINUED OPERATIONS</b>				
net of taxes of \$nil, \$(260), \$nil and \$(776) respectively - Note 8	-	(650)	-	(1,716)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>\$ 3,067</b>	<b>\$ 2,056</b>	<b>\$ 13,413</b>	<b>\$ 7,616</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	16,927	19,856	18,299	20,276
Diluted	16,951	20,070	18,343	20,408
Income from continuing operations	\$ 0.18	\$ 0.14	\$ 0.73	\$ 0.46
Loss from discontinued operations	-	(0.04)	-	(0.08)
Net income and comprehensive income	<b>0.18</b>	<b>0.10</b>	<b>0.73</b>	<b>0.38</b>
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	0.18	0.13	0.73	0.46
Loss from discontinued operations	-	(0.03)	-	(0.09)
Net income and comprehensive income	<b>\$ 0.18</b>	<b>\$ 0.10</b>	<b>\$ 0.73</b>	<b>\$ 0.37</b>

See accompanying notes to interim consolidated financial statements.



**INTERIM CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

*(Unaudited)*

*(in thousands)*

	Three Months Ended		Nine Months Ended	
	March 31 2009	March 31 2008	March 31 2009	March 31 2008
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	\$ 18,881	\$ 26,755	\$ 21,341	\$ 25,423
Dividends - Note 9	(1,101)	(495)	(4,211)	(3,061)
Shares repurchased - Note 6 (a)	-	(794)	(9,696)	(2,456)
Insta-Rent spin out	-	(8,546)	-	(8,546)
Net income and comprehensive income for the period	3,067	2,056	13,413	7,616
<b>RETAINED EARNINGS, END OF PERIOD</b>	\$ 20,847	\$ 18,976	\$ 20,847	\$ 18,976

See accompanying notes to interim consolidated financial statements.



**INTERIM CONSOLIDATED BALANCE SHEET**

(Unaudited)

(in thousands)

	March 31 2009	June 30 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash - Note 3	\$ 17,544	\$ 15,644
Accounts receivable - Note 10	2,057	5,618
Prepaid expenses and other	1,260	562
Income taxes receivable	2,216	-
Current future income taxes	-	3,166
	<b>23,077</b>	<b>24,990</b>
Deposits and other	953	1,144
Long term investments	180	180
Capital assets	14,953	14,017
Intangible assets	5,387	5,336
Future income taxes	1,091	1,599
Goodwill	34,572	33,986
	<b>\$ 80,213</b>	<b>\$ 81,252</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities - Note 5	\$ 12,072	\$ 6,857
Income taxes payable	-	923
Current portion of deferred revenue	168	164
Current portion of deferred lease inducements	261	298
Current portion of obligations under capital leases and other	216	8
	<b>12,717</b>	<b>8,250</b>
Deferred revenue	32	96
Deferred lease inducements	504	564
Long-term obligations under capital leases and other	401	-
Future income taxes	1,330	1,140
	<b>14,984</b>	<b>10,050</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 6	39,963	46,085
Contributed surplus - Note 7	4,419	3,776
Retained earnings	20,847	21,341
	<b>65,229</b>	<b>71,202</b>
	<b>\$ 80,213</b>	<b>\$ 81,252</b>

Contingency - Note 12

Subsequent Events - Note 13

See accompanying notes to interim consolidated financial statements.



## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(in thousands)

	Three Months Ended		Nine Months Ended	
	March 31 2009	March 31 2008	March 31 2009	March 31 2008
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Income from continuing operations	\$ 3,067	\$ 2,706	\$ 13,413	\$ 9,332
Items not affecting cash:				
Amortization of capital assets	1,511	1,234	4,239	3,672
Amortization of intangible assets	11	63	29	218
Stock-based compensation	240	106	803	294
Future income taxes	274	24	3,864	78
	5,103	4,133	22,348	13,594
Change in non-cash operating items:				
Accounts receivable	560	(291)	3,561	(979)
Prepaid expenses, deposits and other	53	(144)	(507)	(473)
Accounts payable and accrued liabilities	(868)	4,448	5,217	1,094
Income taxes payable	-	1,210	(923)	(790)
Income taxes receivable	261	-	(2,216)	-
Deferred revenue	(60)	(13)	(60)	(57)
Deferred lease inducements	(10)	29	(97)	44
	5,039	9,372	27,323	12,433
<b>INVESTING ACTIVITIES</b>				
Business acquisitions, net of cash and working capital acquired - Note 4	(152)	(15)	(876)	(15)
Purchase of capital assets	(1,616)	(1,820)	(4,252)	(4,525)
	(1,768)	(1,835)	(5,128)	(4,540)
<b>FINANCING ACTIVITIES</b>				
Repayment of obligations under capital leases and other	(45)	(23)	(104)	(99)
Dividends paid on common shares	(1,101)	(495)	(4,211)	(3,061)
Issuance of common shares	-	-	130	200
Shares repurchased	-	(1,528)	(16,110)	(5,302)
	(1,146)	(2,046)	(20,295)	(8,262)
Cash provided (used) by continuing operations	2,125	5,491	1,900	(369)
Cash provided (used) by discontinued operations:				
Operating activities	-	(2,790)	-	3,859
Investing activities	-	1,268	-	(5,642)
	-	(1,522)	-	(1,783)
<b>INCREASE (DECREASE) IN CASH</b>	<b>2,125</b>	<b>3,969</b>	<b>1,900</b>	<b>(2,152)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>15,419</b>	<b>12,116</b>	<b>15,644</b>	<b>18,237</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 17,544</b>	<b>\$ 16,085</b>	<b>\$ 17,544</b>	<b>\$ 16,085</b>
<b>Supplemental cash flow information:</b>				
Interest paid	\$ 6	\$ 12	\$ 59	\$ 19
Interest received	37	97	362	349
Income taxes paid	\$ 1,326	\$ 101	\$ 5,671	\$ 5,886

See accompanying notes to interim consolidated financial statements.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except per share amounts)

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**Nature of Business**

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The Cash Store Financial Services Inc. (the “Company”) operates under two branch banners: The Cash Store and Instalozans who act as brokers to facilitate payday advance services to income-earning consumers. As at March 31, 2009, the Company operated 423 (2008 – 378) branches.

The Company’s earnings are seasonal. Typically the Company has its highest revenues in the fourth quarter followed by the first quarter, the second quarter and then lastly the current quarter.

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**Note 1 – Significant Accounting Policies**

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**Basis of Presentation**

These unaudited consolidated interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

The preparation of financial statements in conformity with such principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates made by management. The recoverable values of future income tax assets, capital assets, the amortization periods of capital assets and intangible assets, and goodwill and intangible assets, are the more significant items which reflect estimates in these financial statements.

These unaudited consolidated interim financial statements do not include all of the disclosures required by Canadian GAAP. They should be read in conjunction with the audited consolidated financial statements, including notes thereto, for the year ended June 30, 2008.

Except as disclosed in Note 2, these unaudited consolidated interim financial statements follow the same significant accounting policies and methods of application as the most recent audited consolidated financial statements of the Company for the year ended June 30, 2008.

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**Note 2 – Changes in Accounting Policies and Practices**

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As disclosed in the June 30, 2008 annual audited consolidated financial statements, on July 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1535 Capital Disclosures (“Section 1535”), Section 3862 Financial Instruments – Disclosure (“Section 3862”) and Section 3863 Financial Instruments – Presentation (“Section 3863”).

The adoption of these standards has had no material impact on the Company’s financial position, net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

(in thousands, except per share amounts)

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## Note 2 – Changes in Accounting Policies and Practices (continued)

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### Financial Instruments

Section 3862 is based on International Financial Reporting Standards (“IFRS”) 7 “Financial Instruments: Disclosures” and requires disclosures, by class of financial instrument that enables users to evaluate the significance of financial instruments for an entity’s financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis of each type of market risk to which an entity is exposed; show how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable.

In March 2007, the CICA also issued Handbook Section 3863 to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset. This standard also harmonizes disclosures with IFRS 7.

As a result of adopting this standard, new or enhanced disclosure is provided in Note 10 - Financial Instruments and Risk Management.

### Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535. This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

As a result of adopting this standard, new or enhanced disclosure is provided in Note 11 - Management of Capital.

### Emerging Issues Committee (“EIC”) 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC Abstract 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC requires the Company to take into account the Company’s own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments.

EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in the interim and annual financial statements for periods ending on or after the date of issuance of the Abstract. The Company has evaluated the impact of adopting this standard on our consolidated financial statements and no changes were made.

### Recent Accounting Pronouncements Not Yet Adopted

#### Goodwill

In February 2008, the CICA issued Handbook Section 3064 (“Section 3064”) Goodwill and Intangible Assets. Section 3064, which replaces Section 3062, Goodwill and Intangible Assets and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible

(in thousands, except per share amounts)

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## Note 2 – Changes in Accounting Policies and Practices (continued)

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### Recent Accounting Pronouncements Not Yet Adopted (continued)

#### Goodwill (continued)

assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Reporting Standard IAS 38, Intangible Assets. This new standard applies to the Company's consolidated interim and annual financial statements beginning July 1, 2009. The Company is currently evaluating the impact of this standard on its consolidated financial position and results of operations.

#### Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations," which replaces the existing standard. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date and that non-controlling interests would be measured at fair value at the date of acquisition. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1602, "Non-Controlling Interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. The Section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements.

#### Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements," which replaces the existing standards. This Section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The Section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### International Financial Reporting Standards ("IFRS")

Canada's Accounting Standards Board ratified a strategic plan that will result in GAAP, as currently used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years commencing on or after January 1, 2011, specifically July 1, 2011 for the Company. We are currently assessing the impact of adopting IFRS on our future financial reporting.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except per share amounts)

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**Note 3 – Cash and Restricted Cash**

Cash includes \$3,000 in externally restricted cash related to the issuance of a standby letter of credit in the same amount. The standby letter of credit was issued pursuant to provisions of an agreement with DirectCash ATM Processing Partnership, our debit and prepaid credit card service provider, which was required to satisfy timing differences in cash settlements. No amounts have been drawn on this letter to date.

The Company has set up \$1,500 in funds to facilitate claims related to the class action lawsuit settlement (Note 12). No amounts have been drawn on this account to date.

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**Note 4 – Business Acquisitions**

On July 15, 2008, the Company acquired all the business assets of Continual Cash Ltd. representing four branches in Alberta, a customer list in Manitoba, and one branch in British Columbia from Marlow Holdings Inc. for total consideration of \$214. Continual Cash Ltd. and Marlow Holdings Inc. operated in the payday and short-term loan industry.

On November 14, 2008, the Company acquired all the business assets of Consolidated Financial Corp. representing ten branches in British Columbia, and two branches in each of Alberta and Ontario for total consideration of \$662. Consolidated Financial Corp. operated in the payday and short-term loan industry. The combined purchase price allocation for the nine months ended March 31, 2009 is detailed in the table below. The Company is in the process of finalizing its valuation of the net assets acquired, including goodwill and other intangible assets; thus the allocation of the purchase price is subject to refinement.

**Net assets acquired at assigned values**

Working capital	\$	80
Capital assets		210
Customer contracts, relationships, lists and other		80
Goodwill		506
	\$	<b>876</b>

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**Note 5 – Accounts Payable and Accrued Liabilities**

	<b>March 31 2009</b>	June 30 2008
Trade accounts payable	\$ 2,151	\$ 2,227
Accrued liabilities	3,002	1,891
Accrued salaries and benefits	3,747	2,622
Amounts due to third party lenders	3,159	100
Other	13	17
	\$ 12,072	\$ 6,857



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND 2008  
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(in thousands, except per share amounts)

**Note 6 – Share Capital**

**(a) Issued share capital**

	March 31 2009		June 30 2008	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized:</b>				
Unlimited common shares with no par value				
<b>Issued:</b>				
Balance, beginning of year	19,540	\$ 46,085	20,793	\$ 48,954
Transfer from contributed surplus for stock options or warrants exercised - Note 7	-	160	-	117
Options exercised	105	130	100	200
Shares repurchased	(2,718)	(6,412)	(1,353)	(3,186)
<b>Balance, end of period</b>	<b>16,927</b>	<b>\$ 39,963</b>	<b>19,540</b>	<b>\$ 46,085</b>

On June 25, 2008, the Company announced its intention to make a normal course issuer bid (the “Bid”) to purchase, through the facilities of the Toronto Stock Exchange, certain of its outstanding common shares. The number of common shares to be purchased during the period of the Bid from July 3, 2008 to July 2, 2009 will not exceed 1,218 common shares, or approximately 10% of the public float outstanding on June 27, 2008. Common shares purchased pursuant to the Bid will be cancelled. The Company has purchased 1,218 Common shares at a cost of \$7,110 for the nine months ended March 31, 2009.

On November 5, 2008, the Company announced its intention to make a substantial issuer bid to purchase and cancel by way of a “Dutch Auction”, through the facilities of the Toronto Stock Exchange, up to \$9,000 of its outstanding common shares from its shareholders. The Company has purchased 1,500 Common shares at a cost of \$9,000 for the nine months ended March 31, 2009.

**(b) Options to Employees and Directors**

The Company has an incentive stock option plan for certain employees, officers and directors. Options issued under the plan have vesting terms that vary depending on date granted and other factors. All stock options must be exercised over specified periods not to exceed five years from the date granted.

	March 31 2009		June 30 2008	
	Total Options for Shares	Weighted Average Price	Total Options for Shares	Weighted Average Price
<b>Outstanding, beginning of year</b>	<b>1,089</b>	<b>\$ 4.35</b>	765	\$ 5.62
Granted	180	4.99	607	4.17
Exercised	(105)	1.22	(100)	2.00
Forfeited	(114)	7.86	(183)	5.04
<b>Outstanding, end of period</b>	<b>1,050</b>	<b>4.40</b>	1,089	4.35
<b>Exercisable, end of period</b>	<b>479</b>	<b>\$ 4.75</b>	250	\$ 4.89



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except per share amounts)

**Note 6 – Share Capital (continued)**

At March 31, 2009, the range of exercise prices, the weighted average exercise price and weighted average remaining contractual life are as follows:

<b>Fiscal Year Granted</b>	<b>Number Outstanding</b>	<b>Weighted Average Remaining Term</b>	<b>Weighted Average Exercise Price</b>	<b>Number Exercisable</b>
2005	10	10 mos.	3.85	10
2006	230	22 mos.	5.47	230
2007	100	28 mos.	5.51	67
2008	530	42 mos.	3.54	172
2009	180	51 mos.	4.99	-
	1,050	38 mos.	\$ 4.40	479

**Note 7 – Contributed Surplus**

For stock options granted to officers and directors after July 1, 2002, the Company records compensation expense using the fair value method as outlined in Note 6 (b). Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense, which has been recorded in corporate expenses, with a corresponding increase to contributed surplus. When options are exercised, the fair-value amount in contributed surplus is credited to share capital.

	<b>March 31 2009</b>	June 30 2008
Balance at beginning of year, as previously stated	\$ 3,776	\$ 3,268
Stock options or warrants exercised	(160)	(117)
Stock-based compensation expense	803	625
	\$ 4,419	\$ 3,776



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except per share amounts)

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**Note 8 – Discontinued Operations**

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On November 28, 2007, the Company's shareholders approved a plan to spin-off the Company's rental operations and certain of its assets and liabilities to Insta-Rent Inc., which was a new publicly-traded company whose common shares were, upon the completion of this transaction, owned by the shareholders of the Company.

This spin-off transaction was completed on March 31, 2008 and accordingly, the Company ceased to consolidate those assets and liabilities of the rental division transferred to Insta-Rent Inc. and have presented the results of its operations and its cash flows for the three months and nine months ended March 31, 2008 as discontinued operations.

The loss from discontinued operations is summarized as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>March 31</b>	March 31	<b>March 31</b>	March 31
	<b>2009</b>	2008	<b>2009</b>	2008
Rental Revenue	\$ -	\$ 4,930	\$ -	\$ 15,468
Loss from discontinued operations before tax	-	(910)	-	(2,492)
Loss from discontinued operations	\$ -	\$ (650)	\$ -	\$ (1,716)

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**Note 9 – Dividends**

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Dividends in the amount of \$1,101 (2008 - \$495) were paid in the three months ending March 21, 2009 and \$4,211 (2008 - \$3,061) were paid during the nine months ended March 31, 2009.

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**Note 10 – Financial Instruments and Risk Management**

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**(a) Classification of Financial Instruments**

The Company has made the following classifications: cash as held-for-trading; accounts receivable as loans and receivables; long-term investments as held-to-maturity investments, and accounts payable and accrued liabilities and obligations under capital leases and other as other financial liabilities.

**(b) Fair Values**

For certain of the Company's financial instruments, including cash, the carrying amounts approximate fair values due to the immediate or short-term maturity of these financial assets.

Accounts receivable, accounts payable and accrued liabilities have been recorded at amortized cost, which approximates fair value.

The fair values of obligations under capital leases and other approximate their carrying amounts as the terms and conditions on these financial liabilities approximate the terms and conditions available, at the balance sheet dates, to the Company for similar instruments.

(in thousands, except per share amounts)

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## Note 10 – Financial Instruments and Risk Management (continued)

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### (b) Fair Values (continued)

Unless otherwise disclosed, the fair value of all financial assets and liabilities are determined, in full or in part, on published price quotations in an active market. For financial instruments not traded in an active market, the Company uses a discounted cash flow valuation technique. In applying the discounted cash flow, the Company estimates a current market interest rate for the same or similar financial instruments.

### (c) Risk Management

The main financial risks arising from the Company's financial instruments include interest rate risk, credit risk, liquidity risk, and other market price risk. On a quarterly basis, the Company reviews financial risks, sets appropriate limits and controls where necessary. The Company's strategy for managing these risks and its exposures to risks and how they arise has not changed significantly from the prior fiscal year. The Company does not currently use derivative financial instruments to manage its foreign exchange, interest rate, and credit or liquidity risk and does not hold or issue derivative financial instruments for trading or speculative purposes.

#### (i) Foreign Exchange Risk

The Company is not exposed to foreign exchange risk as all operations are in Canada and no significant transactions are entered into in a foreign denominated currency.

#### (ii) Interest Rate Risk

The Company does not have significant amounts of interest bearing obligations; therefore, the Company's exposure to interest rate fluctuations relative to financial instruments is minimal.

#### (iii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying amount of the balances disclosed in these financial statements.

The Company manages the credit risk associated with its cash by holding its funds with reputable Canadian financial institutions.

The Company acts as a broker and has no concentration of credit risk with any particular individual, company or other entity, related to the brokering of payday advance services. Funding of these short-term advances is provided by independent third party lenders. The advances are repayable by the customer to the third party lenders and represent assets of the lenders.

However, the credit risk relates to the possibility of default of payment on the Company's accounts receivable. The Company performs on-going credit evaluations, aging of the receivable, payment history, security, and allows for uncollectible amounts when determinable. As at March 31, 2009 there are no significant past due accounts and there has been no impairment adjustments made to the accounts.

(in thousands, except per share amounts)

**Note 10 – Financial Instruments and Risk Management (continued)**

**(iii) Credit Risk (continued)**

The maximum exposures to credit risk are represented by the carrying amount of accounts receivable which is approximately \$2,057. This amount is made up of the following:

	<b>March 31 2009</b>	June 30 2008
Notes receivable	\$ -	\$ 600
Mortgages receivables	<b>436</b>	835
Due from The Cash Store Australia Holdings Inc.	-	660
Other	<b>1,621</b>	3,523
	<b>\$ 2,057</b>	\$ 5,618

The Mortgages receivables are secured by customers' residential properties.

**(iv) Liquidity Risk**

The Company is exposed to liquidity risk from the chance that it will not be able to meet its financial obligations as they become due or will not receive sufficient funds from its third party lenders to advance to the Company's customers. The Company manages all liquidity risk through maintaining a sufficient working capital amount through daily monitoring of controls, cash balances and operating results. The Company's principal sources of cash are funds from operations.

The maximum exposures to liquidity risk are represented by the carrying amount of accounts payable and accrued liabilities and obligations under capital leases and other which is approximately \$12,689. This amount is made up of the following:

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Less Than 1 Year</b>	<b>1-3 Years</b>
Accounts payable and accrued liabilities	\$ 12,072	\$ 12,072	\$ 12,072	\$ -
Obligations under capital leases and other (including interest)	617	698	216	482
	<b>\$ 12,689</b>	<b>\$ 12,770</b>	<b>\$ 12,288</b>	<b>\$ 482</b>

During the quarter, capital assets in the amount of \$93 (\$nil – 2008) and \$749 for the nine months ended March 31, 2009 (\$nil – 2008) were purchased. This amount is comprised of obligations under capital leases in the amount of \$93 (\$nil – 2008) for the quarter and \$713 (\$nil - 2008) for the nine months ended March 31, 2009. Other includes, vehicle financing in the amount of \$36 (\$nil – 2008) was obtained for the three and nine months ended March 31, 2009.

(in thousands, except per share amounts)

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### **Note 11 – Management of Capital**

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The Company's objective when managing capital is to provide a return to shareholders by fairly pricing its services with the associated level of risk while being able to sufficiently fund future growth initiatives. The Company defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of share capital, contributed surplus and retained earnings.

In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestures, as well as capital and operating budgets.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it based on economic or regulatory changes. In order to maintain or modify the capital structure, the Company may seek additional sources of capital. The Company has limited reliance on debt facilities and is not subject to any restrictive covenants.

The Company's capital management objectives, policies and procedures were unchanged since prior year-end.

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### **Note 12 – Class Action Settlement**

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On April 13, 2004, a legal proceeding was commenced against The Cash Store Inc. and 1152919 Alberta Ltd. (o/a Instalozans), by Thompson McCutcheon (the "Plaintiff"), a customer of the Company. The Plaintiff obtained an order pursuant to the *Class Proceedings Act*, 1992, S.O. 1992 c.6 (the "Act"), as amended, certifying the action as a class proceeding and appointing him as the representative of the Class. The Plaintiff asserted that the Company was in breach of the *Criminal Code* and *Fair Trading Act* as the aggregate of all charges including interest, broker fees and card fees charged was in excess of those allowed by law. The Statement of Claim stated that the members of the Class would seek to recover all amounts charged, collected or received by the defendants at a criminal rate of interest, and/or at an excessive rate as well as damages, costs and interest.

On December 2, 2008, the Ontario Superior Court of Justice certified the class action lawsuit as a class proceeding under the *Class Proceedings Act*, and granted approval of the settlement that had been agreed to between the Company and the representative Plaintiff on behalf of the Class.

Under the terms of the settlement, the Company is to pay to the Class a minimum of \$750 and a maximum of \$1,500 in cash and a minimum of \$750 and a maximum of \$1,500 in credit vouchers to those customers of The Cash Store and Instalozans, outside of Alberta and British Columbia, who were advanced funds under a loan agreement and who repaid the payday loan plus brokerage fees and interest in full. The credit vouchers may be used to pay existing outstanding brokerage fees and interest or to pay a portion of brokerage fees and interest which may arise in the future through new loans advanced. The credit vouchers are fully transferable and have no expiry date. In addition, the Company is to pay the legal fees and costs of the Class. Based on the Company's estimate of the rate of take-up of the available cash and vouchers, a provision has been recorded of \$1,910 to cover the estimated costs of the settlement, including legal fees and costs. There have been no changes to the estimated costs of the settlement for the three months ended March 31, 2009.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except per share amounts)

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**Note 13 – Subsequent Events**

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**Dividends Declared**

On April 28, 2009 the Company declared a cash dividend of \$0.065 per common share. The dividend will be paid on May 20, 2009 to shareholders on record as of May 5, 2009. Decisions on future dividends will be subject to Board of Directors' approval.

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**Note 14 – Comparative Figures**

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Certain comparative figures have been reclassified to conform to presentation adopted for the current period.