



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended September 30, 2008



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INTRODUCTION

The following management discussion and analysis (“MD&A”) should be read in conjunction with The Cash Store Financial Services Inc.’s (“Cash Store Financial”) unaudited consolidated interim financial statements for the three months ended September 30, 2008, and the audited consolidated financial statements and MD&A for the year ended June 30, 2008, both of which are available at SEDAR (www.sedar.com).

This management’s discussion and analysis is dated as of October 27, 2008.

Cautionary Statement Regarding Forward-looking Information

This MD&A contains “forward-looking information” within the meaning of applicable Canadian and United States securities legislation. Forward-looking information includes, but is not limited to, information with respect to our objectives, strategies, operations and financial results, competition as well initiatives to grow revenue or reduce retention payments. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". In particular this MD&A contains forward-looking statements in connection with the Cash Store Financials goals and strategic priorities, introduction of products, share repurchase initiatives and branch openings. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Cash Store Financial, to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, changes in economic and political conditions, legislative or regulatory developments, technological developments, third-party arrangements, competition, litigation, risks associated with but not limited to, market conditions, and other factors described in our Annual Information Form (“AIF”) dated August 27, 2008 under the heading “Risk Factors”. All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including our knowledge of the current credit, interest rate and liquidity conditions affecting us and the Canadian economy. Although we believes the assumptions used to make such statements are reasonable at this time and have attempted to identify in our continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material factors or assumptions are applied by us in making forward-looking statements, include without limitation, factors and assumptions regarding our continued ability to fund our payday loan business, rates of customer defaults, relationships with, and payments to, third party lenders, demand for our products, as well as our operating cost structure and current consumer protection regulations. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except in accordance with applicable securities laws.



Non-GAAP Measures

This MD&A refers to certain financial measures that are not determined in accordance with generally accepted accounting principles (“GAAP”) in Canada. These measures do not have standardized meanings and may not be comparable to similar measures presented by other companies. Although a measure such as “Earnings before Interest, Income Taxes, Extraordinary Items, Stock-based Compensation, Amortization of Capital and Intangible Assets” (“EBITA”) does not have a standardized meaning prescribed by GAAP, this measure is used herein or can be determined by reference to Cash Store Financial’s financial statements. “Same branch sales” is a non-GAAP measure tracked and reported by us and is generally used to compare the average revenue for a particular group of branches in a current period to that same particular group of branches in a prior period. This non-GAAP measure is a way to gauge the performance of a particular group of branches and is directly related to and helps explain changes in total revenue. Average revenue is defined as revenue for the period divided by the number of branches. “Branch Operating Income” (“BOI”) is a non-GAAP measure that we track and report and is generally used to compare the performance at branch level and includes expenses which primarily relate to the operations of the branch network. “Regional expenses” is a non-GAAP measure which is used to gauge expenditures at the regional and divisional level and includes compensation of associates including centralized regional departments, Regional Managers, Divisional Vice Presidents and President, as well as other expenses related to the functions of these groups. “Corporate expenses” is a non-GAAP measure which is used to gauge expenditures at the corporate level and includes compensation of associates and related expenses at the corporate office level. These measures are discussed because management believes that they facilitate the understanding of our results and our operational and financial position.

The following table provides a reconciliation of net income in accordance with GAAP to EBITA.

EBITA Reconciliation

<i>(thousands of dollars)</i>	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Consolidated Results								
Income from continuing operations	6,056	3,190	2,706	3,207	3,418	2,013	1,374	2,250
Interest	14	3	1	3	2	4	9	5
Income tax	3,236	2,734	1,323	1,958	1,855	1,007	567	1,323
Stock-based compensation	299	331	106	96	92	241	282	316
Amortization of capital and intangible assets	1,323	1,356	1,297	1,375	1,218	1,164	1,104	1,084
EBITA from continuing operations	10,928	7,614	5,433	6,639	6,585	4,429	3,336	4,978
EBITA from discontinued operations	-	-	(560)	(396)	(402)	(202)	(579)	(1,025)



BUSINESS PROFILE AND STRATEGY

This section contains forward-looking statements. See Cautionary Statement Regarding Forward-Looking Information.

Cash Store Financial is an alternative financial service provider to traditional banks, serving the needs of everyday people, through our two branch banners: The Cash Store and Instaloes. The Cash Store and Instaloes act as brokers to facilitate payday advance services to income-earning consumers. We also provide a range of in-demand financial products that are not supplied by traditional financial institutions. Driven by a dynamic workforce, a performance-based culture, and a commitment to strong business fundamentals, at September 30, 2008, we owned and operated 391 branches in nine provinces and two territories and employed over 1,500 associates across Canada. Cash Store Financial is the only payday advance broker in Canada listed for trading on the Toronto Stock Exchange. Cash Store Financial trades under the symbol "CSF".

Our business is based on the recognition that the needs of a segment of the population are not being met by traditional financial institutions. Our strategic objective is to establish The Cash Store and Instaloes as the alternative financial service provider of choice offering a wide range of products, a high level of customer service, convenient locations and hours of operation.

In addition to meeting our customers' needs by providing small, short-term loans which can be accessed quickly, we also offer revolving lines of credit, term loans, telephone reconnect services, injury advances, mortgages, financial product insurance and cheque cashing products.

Cash Store Financial's strategic priorities are:

Operational:

- Maintaining a dominant position in the Canadian alternative financial services industry, through continued expansion into underserved communities.
- Providing superior service and innovative products.
- Building partnerships with our customers to ensure that their needs are met.
- Developing a motivated, knowledgeable team of associates dedicated to serving our customers.
- Providing strong leadership through in-the-field hands-on involvement of senior management.
- Working closely with government bodies to ensure a healthy, regulated industry exists to serve the needs of the Canadian population.

Financial:

- Maximizing shareholder value by growing our earnings per share.
- Maintaining a strong balance sheet to ensure continued aggressive growth at acceptable risk and enabling us to respond quickly to growth opportunities as they arise.
- Controlling costs through a strong focus on operational excellence.
- Ensuring that all branches are contributing to our profitability.



First Quarter Highlights

This section contains forward-looking statements. See Cautionary Statement Regarding Forward-Looking Information.

Income from continuing operations for the first quarter was \$6.1 million, compared to \$3.4 million for the same quarter last year. The higher earnings resulted in diluted earnings per share from continuing operations increasing to \$0.31 in the quarter, compared to \$0.17 for the same period last year.

Our EBITA for the first quarter was \$10.9 million, compared to \$6.6 million in the same quarter last year. This improvement is due to better execution of growth initiatives, collection protocols and risk management.

The higher first quarter earnings reflect the following:

- Increased revenue as a result of 30 new branches compared to September 30, 2007 (including five branches acquired through the purchase of two small regional companies during the quarter), as well as a 10.8% increase in same branch sales through improved staff retention, more effective bonus structures, communication of expectations at all levels of the organization and action plans for our lowest-performing branches;
- Branch revenues and same branch sales have each increased by 10.8% compared to the same quarter last year; and
- Improved collection protocols used to reduce retention payments in line with management's expectations.

Earnings were reduced by:

- Increased branch expenses as a result of the 30 new branches; and
- Increased corporate expenses as a result of increased bonuses due to higher profits, as well as an increase in training and information system support.

Management has established as a strategic priority an improvement to the revenue and earnings contributions of our lowest-performing branches. The effective execution of corporately-directed branch action plans, have increased the profitable branches as a percentage of our overall branch network and have shown an increase in the earnings contribution of our lowest-performing branches. Branch operating income, by maturity level, is outlined below:

<i>(Thousands of dollars)</i>		BOI (Loss)		BOI % of Revenues	
		Q1 2009	Q1 2008	Q1 2009	Q1 2008
Year Opened	Number of Branches				
2001 *	95	\$ 4,633	\$ 3,611	44.4%	35.3%
2002	15	661	677	34.9%	36.9%
2003	35	1,761	1,316	43.6%	34.7%
2004	52	2,308	1,504	43.0%	32.4%
2005	68	2,354	1,655	37.4%	29.3%
2006	54	1,618	557	35.7%	15.5%
2007	26	466	25	26.9%	2.1%
2008	35	611	(15)	29.8%	-15.0%
2009	11	(48)	-	-24.8%	-
	391	14,363	9,329		
Branches not yet open		(7)	-		
Closed branches		(182)	(59)		
Other		457	141		
Branch Operating Income		\$ 14,631	\$ 9,412		

* Instaloan branches were acquired by Cash Store Financial on April 22, 2005; they have been operating since 2001.



Product and revenue diversification initiatives continue to generate positive results. Fees from other services (including fees from cheque cashing, money transfer, payment protection, debit cards, pre-paid credit cards, term loans, revolving lines of credit, collections and telephone re-connect services) increased to \$6.4 million for the quarter, compared to \$4.9 million in the same period last year. For future periods, we are planning to introduce alternative financial products, prepaid long-distance and cellular usage cards.

In order to further increase shareholder value, we have, over the past quarter, repurchased 945,846 common shares pursuant to a normal course issuer bid at an average share price of \$5.88 per share and at a total cost of \$5.6 million. This amounts to 5.1% of our outstanding shares. Further share repurchase initiatives are being considered for future periods.

We are well positioned to fund future growth initiatives and working capital requirements with a cash position of \$20.3 million and a positive working capital of \$17.5 million as at September 30, 2008. During the first three months of our fiscal year, working capital has increased by \$800,000 from \$16.7 million at June 30, 2008.

SELECTED FINANCIAL INFORMATION

<i>Thousands of dollars, except for per share amounts and branch figures</i>		Three Months Ended	
		September 30 2008	September 30 2007
Consolidated results			
	<i>No. of branches</i>	391	361
Revenue			
Brokerage		\$ 37,293	\$ 32,181
Interest income		126	57
		37,419	32,238
Branch expenses		18,538	17,034
Retention payments		4,251	5,792
Branch operating income		14,631	9,412
Regional expenses		1,721	1,734
Corporate expenses		3,404	2,241
Other amortization		214	164
Income from continuing operations before income taxes		9,292	5,273
Income from continuing operations		6,056	3,418
Loss from discontinued operations		-	(390)
EBITA		10,928	6,585
Net income		\$ 6,056	\$ 3,028
Weighted average number of shares outstanding - basic		19,434	20,699
Basic earnings per share			
Income from continuing operations		\$ 0.31	\$ 0.17
Loss from discontinued operations		-	(0.02)
Net income		0.31	0.15
Diluted earnings per share			
Income from continuing operations		0.31	0.17
Loss from discontinued operations		-	(0.02)
Net income		\$ 0.31	\$ 0.15
Consolidated Balance Sheet Information			
Working capital		\$ 17,504	\$ 9,310
Total assets		82,926	89,595
Total long-term liabilities		2,148	1,836
Total liabilities		10,855	12,386
Shareholders' equity		\$ 72,073	\$ 77,209



FINANCIAL ANALYSIS

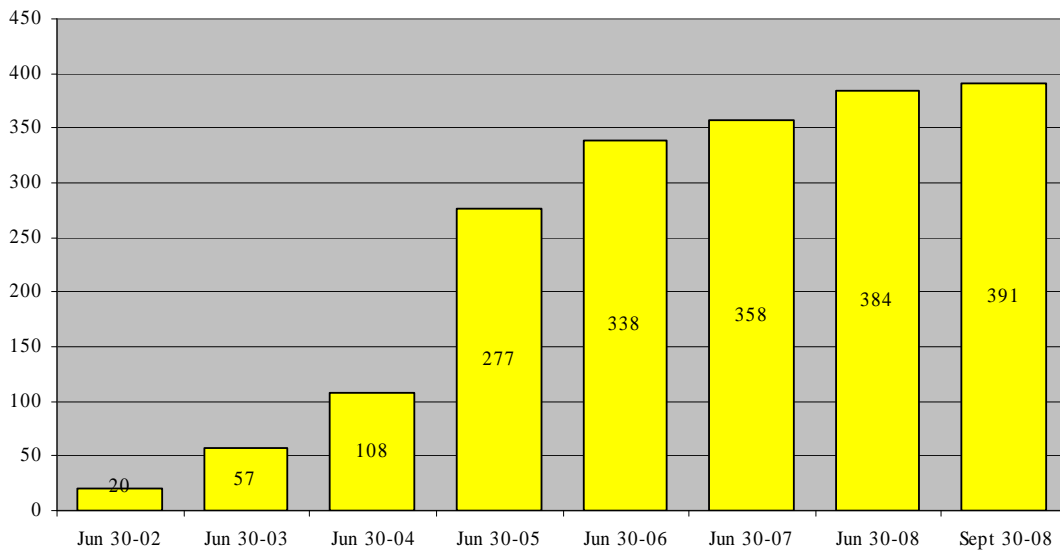
This analysis provides an overview of our financial results for the first quarter of fiscal 2009 compared to the same period in 2008.

Branch Count

This section contains forward-looking statements. See Cautionary Statement Regarding Forward-Looking Information.

At the end of the first quarter, a total of 391 branches were in operation compared to 361 branches at the end of the same quarter last year. During the quarter, six new branches were opened, five branches were purchased and four branches were closed and accounts transferred to nearby branches. Branch performance continues to be monitored and consolidations will occur when efficiencies can be achieved.

Summary Branch Count



The opening or acquisition of 11 new branches over the quarter is consistent with our growth strategy. The closing of four underperforming branches is consistent with our strategy of ensuring positive contributions from all our branches. We anticipate adding five to six branches per month over the next quarter.

Revenue

Revenue increased 16.1% to \$37.4 million from \$32.2 million in the same quarter last year. The higher revenue reflects an increase in both brokerage fees and other services. This growth is due to 30 additional branches, the maturing of existing branches and increased same branch sales. Same branch sales increased through improved staff retention, more effective bonus structures, communication of expectations at all levels of the organization and action plans for our lowest-performing branches.



The table below illustrates consistent growth in all branch age categories contributing to the overall growth in revenue.

<i>(Thousands of dollars)</i>		Revenues				Average Revenue/Branch/Month	
Year Opened	Number of Branches	Q1 2009	Q1 2008	% Change	Q1 2009	Q1 2008	
2001*	95	\$ 10,427	\$ 10,223	2%	\$ 37	\$ 36	
2002	15	1,891	1,835	3%	42	41	
2003	35	4,041	3,792	7%	38	36	
2004	52	5,371	4,645	16%	34	30	
2005	68	6,290	5,654	11%	31	28	
2006	54	4,537	3,584	27%	28	22	
2007	26	1,733	1,191	46%	22	15	
2008	35	2,050	98	1997%	20	1	
2009	11	193	-	-	6	-	
	391	36,533	31,021	18%	\$ 31	\$ 26	
Closed branches		3	589				
Other		757	571				
Continuing operations		\$ 37,293	\$ 32,181				

* Instaloan branches were acquired by Cash Store Financial on April 22, 2005, they have been operating since 2001.

The following table depicts the split between brokerage fees and other revenues:

<i>(thousands of dollars)</i>	Three months ended	
	September 2008	September 2007
Revenues		
Brokerage fees	\$ 30,877	\$ 27,237
Other	6,416	4,944
	37,293	32,181
Interest income	126	57
	\$ 37,419	\$ 32,238

Broker fees for the first quarter increased 13.4% to \$30.9 million from \$27.2 million in the same quarter last year as a direct result of 30 additional branches, the maturing of existing branches and the increased focus on growth through the establishment and communication of higher expectations at all levels, improved staff retention and more effective bonus structures.

Revenue from other services (including fees from cheque cashing, money transfers, payment protection, debit cards, term loans, revolving lines of credit, collections and telephone re-connect services) increased to \$6.4 million in the first quarter, up from \$4.9 million in the same quarter last year. These improvements demonstrate the progress we continue to make against our objective of diversifying our revenue stream and increasing the value generated from our existing suite of products.

Loans brokered in the first quarter totalled \$147.8 million and averaged \$364 per loan (excluding our broker fee), compared to \$131.3 million and an average of \$355 per loan in the same quarter last year.

Due to the seasonal nature of our business, we anticipate revenues will remain relatively constant over the next quarter.

Same Branch Sales

Same branch sales for the 344 locations open since the beginning of the first quarter of fiscal 2008 increased by 10.8% compared to the same quarter last year, with same branch sales averaging \$99,600 in the first quarter compared to \$89,900 in the first quarter of the previous



year. Same branch sales increased through improved staff retention, more effective bonus structures, communication of expectations at all levels of the organization and action plans for our lowest-performing branches.

We continue to maximize shareholder value from our network of branches and products. As the cost structure for the existing branch base is relatively fixed, improving same branch sales is an important objective. Small increases in same branch sales currently lead to a direct increase in profitability.

Expenses (excluding retention payments)

Expenses for the first quarter totalled \$22.6 million, an increase from \$20.0 million in the same quarter last year. The increase is primarily due to the addition of 30 new branches and increased bonuses related to higher profitability.

Retention Payments

Third-party lender retention payments for the first quarter totalled \$4.3 million (2.9% of loans brokered), compared to \$5.8 million (4.4% of loans brokered) in the same quarter last year. Payments decreased despite the fact that total loans brokered increased to \$147.8 million this quarter from \$131.3 million in the same quarter last year. As a percentage of revenue, retention payments have decreased to 11.4% in the first quarter of 2009, compared to 18.0% in the first quarter of 2008.

Improved collection protocols have contributed to a continued reduction in retention payments in line with management's expectations.

Amortization

Amortization of capital and intangible assets for the quarter totalled \$1.3 million, compared to \$1.1 million in the first quarter last year. The increase reflects the addition of 30 new branches.

Income Taxes

Our effective tax rate was 34.8% in the first quarter, compared to 35.2% for the first quarter last year, as a result of a decrease in federal and provincial corporate tax rates.

Income from Continuing Operations

Income from continuing operations for the first quarter was \$6.1 million, compared to \$3.4 million in the same quarter of fiscal 2008. The increased income from operations was due primarily to improved revenues and lower retention payments, offset by expenses associated with 30 new branches and increased bonuses as a result of higher profitability.

LIQUIDITY AND CAPITAL RESOURCES

Our cash increased to \$20.3 million in the first quarter, compared to \$15.6 million at June 30, 2008. Significant items impacting cash in the first quarter included:

- The repurchase of our shares in the amount of \$5.6 million pursuant to a normal course issuer bid;



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- Cash generated from operating activities, before non-cash operating items, of \$10.5 million; and
 - Capital asset expenditures of \$940,000.

At the end of the first quarter, our working capital position totalled \$17.5 million. The \$800,000 increase from June 30, 2008, is primarily a result of the utilization of a portion of the \$4.9 million in income tax offsets gained through the spin-out of the rental division.

Our strong cash and working capital will enable us to take advantage of opportunities that may arise as regulatory or economic changes occur.

RISK FACTORS AFFECTING PERFORMANCE

Our financial and operational performance is potentially affected by a number of factors including, but not limited to, changing consumer protection regulations, industry and company specific class action lawsuits, access to third-party lenders and other issues described in our most recent Annual Information Form (“AIF”). As a company we identify risks in four main categories: 1) operational; 2) financial; 3) legal and regulatory; and 4) strategic. A more detailed discussion of our risk factors is presented in our most recent AIF filed with the securities regulatory authorities on SEDAR (www.sedar.com). Our Risk Management department works continually to assess and mitigate the impact of potential risks to our stakeholders.

Consumer Protection Regulations

Cash Store Financial’s business is subject to various federal and provincial laws and regulations, including federal interest rate and usury laws and the various provincial consumer protection laws and regulations. The laws and regulations are subject to change and could impose unforeseen costs or limitations on the way we conduct or expand our business.

In May 2007, Bill C-26, *An Act to Amend the Criminal Code (criminal interest rate)*, received Royal Assent. Consistent with the provisions of Bill C-26, several provinces are expected to establish limits on the total cost of borrowing. On April 4, 2008 the Public Utility Board (“PUB”) in Manitoba issued an Order to establish maximum amounts that can be charged in respect of a payday loan. This cap was set at \$17 per \$100 lent. In its Order, the Manitoba PUB stated its intention to force all but the most efficient operators from the market. Although Cash Store Financial fully intends to maintain its presence in Manitoba and to operate profitably in doing so, we have sought a leave to appeal this Order before the Manitoba Court of Appeal on the grounds that the rate cap is unduly punitive to our operations and that in attempting to “shape” the market in Manitoba, the PUB exceeded its legislated mandate. On July 31, 2008, the Nova Scotia Utility and Review Board (“URB”) also issued an Order setting the maximum cost of borrowing for a payday loan. The URB adopted a market approach and set the maximum at \$31 per \$100 lent, effectively allowing most, if not all, operators’ currently in the market to remain in business. The Provinces of British Columbia, Saskatchewan, Ontario and New Brunswick have passed legislation that allows for the setting of maximum rates, although these rates have not yet been established. At this stage, with the exception of Nova Scotia, it remains difficult for us to specify limits that each province will set, due to incomplete public consultation processes that are either underway or have yet to begin.

Cash Store Financial has been, and continues to be, a long-standing advocate of improved consumer protection measures for the payday loan industry. Our long-term strategy has been



predicated on the belief that regulatory certainty will have a positive impact on operations. We have aggressively built our network of retail branches on this basis.

Class Action Lawsuit

Cash Store Financial is subject to lawsuits and regulatory proceedings that could generate adverse publicity and cause us to incur substantial legal expenditures. Class action litigation proceedings have been initiated against almost all of the major payday advance businesses in Canada, including proceedings against us in Alberta, British Columbia and Ontario. Failure by Cash Store Financial to successfully defend itself in any of the currently filed class action lawsuits or future actions could have a material adverse effect on our results of operations and financial condition in future periods.

On April 21, 2008, Cash Store Financial reached a conditional settlement in respect of a class action law suit initiated in the province of Ontario. The settlement is conditional upon the lawsuit being certified by the Court as a class proceeding under the *Class Proceedings Act*. As part of that process, the terms of settlement are being approved by the Court. The settlement does not constitute any admission of liability by Cash Store Financial. As at September 30, 2008, the settlement had not been approved by the Court. It is unknown when a decision can be expected.

Under the terms of the conditional settlement in principle, we are to pay an aggregate of \$1.5 million in cash and \$1.5 million in credit vouchers to those customers of The Cash Store and Insta loans, outside of Alberta and British Columbia, who were advanced funds under a loan agreement and who repaid the payday loan plus the brokerage fees and interest in full (“the Class”). The credit vouchers may be used to pay existing outstanding brokerage fees and interest or to pay brokerage fees and interest that may arise in the future through new loans advanced to the customer. The credit vouchers are fully transferable and have no expiry date. In addition, we are to pay the legal fees and costs of the Class, in an amount to be approved by the Court. We believe a settlement at this time is prudent and will lead to reduced legal costs and expenditures of management resources.

Due to the uncertainty surrounding the court process at this time we are not unable to determine the likelihood of the settlement and therefore have not accrued any amounts.

Third Party Lenders/Retention Payments

We do not fund any short-term advances; all funding is provided by independent third party lenders. As a result, our business is highly dependent on third party lenders who are willing to make significant funds available for lending to our customers. There are no assurances that the existing or new third party lenders will continue to make funds available. Any reduction or withdrawal of funds could have a significant material adverse impact on our results of operations and financial condition.

To facilitate the short term advance business we have entered into written agreements with a number of third party lenders who are prepared to consider lending to our customers. Pursuant to these agreements, we provide services to the lenders related to the collection of documents and information as well as loan collection services. The agreements also provide that the third party lenders are responsible for losses suffered on account of uncollectible loans provided we have properly performed our duties under the terms of the agreements. In the event we do not properly perform our duties and the lenders make a claim as required under the agreement, we may be



liable to the lenders for losses they have incurred. A liability is recorded when it is determined that we have a liability under the agreement.

Cash Store Financial's Board of Directors approved a resolution which authorizes us to pay a maximum amount of retention payments per quarter to third party lenders as consideration to those lenders who continue to be willing to fund advances to our customers. While the third party lenders have not been guaranteed a return, the decision has been made to voluntarily make retention payments to the lenders to deflect the impact of the loan losses they experienced. Retention payments are recorded in the period in which a commitment is made to a lender pursuant to the resolution approved by the Board of Directors.

CHANGES IN ACCOUNTING POLICIES AND PRACTICES

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale financial assets", "held-to-maturity investments", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. "Available-for-sale financial assets" are measured at fair value, with changes in those fair values recognized in Other Comprehensive Income ("OCI"). "Held-to-maturity investments", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method.

Cash has been designated as "held-for-trading". Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities and capital lease obligations are designated as "other financial liabilities".

Section 3855 requires that we records non-financial derivatives as assets or liabilities at their fair value unless exempted from derivative treatment as normal purchase or sale. The Section also requires us to identify embedded derivatives that need separation from the related host contract and measure those embedded derivatives at fair value. Subsequent change in fair value of embedded derivatives is recognized in the consolidated statement of operations and deficit in the period the change occurs. we have elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after July 1, 2003 and has determined there are no material embedded derivatives that must be separated from the host contract and accounted for separately and there are no non-financial derivative instruments.

Transactions costs that are directly attributable to the acquisition or issuance or disposal of financial assets or liabilities are expensed at the time of occurrence.

Section 3861 (replaces Handbook Section 3860, Financial Instruments-Disclosure and Presentation) establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. There was no material effect on our financial statements when we adopted the Section 3861 on July 1, 2007.



In March 2007, the CICA issued Handbook Section 3862, “Financial Instruments—Disclosures”, which complements CICA 3861 and provides expanded disclosure requirements that provide additional detail by financial assets and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards, IFRS 7, Financial Instruments: Disclosures, and places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. We have assessed the impact of adopting this new standard. As a result of adopting this standard, new or enhanced disclosure is provided in Note 9 – Financial Instruments of our interim consolidated financial statements for the three months ended September 30, 2008.

Accounting Changes

As disclosed in the June 30, 2008 annual audited consolidated financial statements, on July 1, 2008, we 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 our financial position, net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

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, “Financial Instruments—Presentation” 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 nonfinancial 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 9 - Financial Instruments of our interim consolidated financial statements for the three months ended September 30, 2008.



Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". 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 10 - Management of Capital of our interim consolidated financial statements for the three months ended September 30, 2008.

CONTROLS AND PROCEDURES

Management has evaluated whether there were changes in our internal financial reporting controls during the most recent interim period ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. No such changes were identified.

OUTSTANDING SHARE DATA

As at October 27, 2008, we had 18,664,156 common shares outstanding. There were also options to purchase 1,169,000 common shares, which if exercised, would provide us with proceeds of approximately \$5.4 million.

SUMMARY OF QUARTERLY RESULTS

The financial results for each of the last eight quarters are summarized in the following table. The results demonstrate a continued emphasis on growth compared to prior quarters, with an equal emphasis on management programs for underperforming branches.

	2009		2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Consolidated Results									
<i>No. of branches</i>	391	383	378	367	361	358	355	348	
Brokerage	\$ 37,293	\$ 34,490	\$ 31,305	\$ 32,591	\$ 32,181	\$ 31,451	\$ 29,895	\$ 30,773	
Corporate	126	52	41	83	57	16	32	6	
	37,419	34,542	31,345	32,674	32,238	31,467	29,927	30,779	
Branch expenses	18,537	18,635	17,724	17,460	17,034	16,903	16,607	16,077	
Retention payments	4,251	4,229	4,800	5,290	5,792	5,501	5,707	6,000	
Branch operating income	14,631	11,678	8,821	9,924	9,413	9,063	7,613	8,702	
Regional expenses	1,721	1,985	1,730	1,991	1,734	1,819	1,470	1,432	
Corporate expenses	3,404	3,524	2,827	2,589	2,243	4,001	4,010	3,494	
Other amortization	214	244	234	180	163	222	192	203	
Net income before income taxes	9,292	5,925	4,030	5,165	5,273	3,021	1,941	3,573	
EBITA from continuing operations	10,928	18,658	5,434	6,505	6,719	4,429	3,336	4,921	
Net income from continuing operations	6,056	3,171	2,706	3,207	3,418	2,013	1,374	2,250	
Loss from discontinued operations	-	-	(650)	(676)	(390)	(422)	(924)	(860)	
Net income	\$ 6,056	\$ 3,171	\$ 2,056	\$ 2,531	\$ 3,028	\$ 1,591	\$ 450	\$ 1,390	
Basic earnings per share									
Income from continuing operations	\$ 0.31	\$ 0.16	\$ 0.14	\$ 0.15	\$ 0.17	\$ 0.09	\$ 0.07	\$ 0.11	
Loss from discontinued operations	-	-	(0.03)	(0.03)	(0.02)	(0.02)	(0.04)	(0.04)	
Net income	0.31	0.16	0.11	0.12	0.15	0.07	0.02	0.07	
Diluted earnings per share									
Income from continuing operations	0.31	0.16	0.13	0.16	0.17	0.09	0.07	0.11	
Loss from discontinued operations	-	-	(0.04)	(0.03)	(0.02)	(0.02)	(0.04)	(0.04)	
Net income	\$ 0.31	\$ 0.16	\$ 0.09	\$ 0.13	\$ 0.15	\$ 0.07	\$ 0.02	\$ 0.07	