



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2008

(UNAUDITED)



INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(in thousands , except per share amounts)

	Three Months Ended	
	September 30 2008	September 30 2007
REVENUE		
Brokerage	\$ 37,293	\$ 32,181
Interest income	126	57
	37,419	32,238
BRANCH EXPENSES		
Salaries and benefits	9,516	8,707
Retention payments	4,251	5,792
Selling, general and administrative	4,230	3,807
Rent	2,686	2,439
Advertising and promotion	996	1,026
Amortization of capital assets	1,109	1,055
	22,788	22,826
BRANCH OPERATING INCOME	14,631	9,412
Regional expenses	1,721	1,734
Corporate expenses	3,404	2,241
Amortization of capital assets	208	86
Amortization of intangible assets	6	78
INCOME BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	9,292	5,273
PROVISION FOR INCOME TAXES		
Current	544	1,788
Future	2,692	67
	3,236	1,855
INCOME FROM CONTINUING OPERATIONS	6,056	3,418
LOSS FROM DISCONTINUED OPERATIONS		
net of taxes of \$(nil) and \$(120) respectively - Note 7	-	(390)
NET INCOME AND COMPREHENSIVE INCOME	\$ 6,056	\$ 3,028
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	19,434	20,699
Diluted	19,496	20,805
Income from continuing operations	\$ 0.31	\$ 0.17
Loss from discontinued operations	-	(0.02)
Net income and comprehensive 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 and comprehensive income	\$ 0.31	\$ 0.15

See accompanying notes to interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(Unaudited)
(in thousands)

	Three Months Ended	
	September 30 2008	September 30 2007
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 21,341	\$ 25,423
Dividends - Note 8	-	(2,062)
Shares repurchased - Note 5 (a)	(3,328)	(794)
Net income and comprehensive income for the period	6,056	3,028
RETAINED EARNINGS, END OF PERIOD	\$ 24,069	\$ 25,595

See accompanying notes to interim consolidated financial statements.



INTERIM CONSOLIDATED BALANCE SHEET

(Unaudited)

(in thousands)

	September 30 2008	June 30 2008
ASSETS		
Current assets		
Cash	\$ 20,290	\$ 15,644
Accounts receivable - Note 9	3,822	5,618
Prepaid expenses and other	644	562
Income taxes receivable	969	-
Future income taxes	486	3,166
	26,211	24,990
Deposits and other	1,219	1,144
Long term investments	180	180
Capital assets	14,092	14,017
Intangible assets	5,360	5,336
Future income taxes	1,696	1,599
Goodwill	34,170	33,986
	\$ 82,928	\$ 81,252
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities - Note 4	\$ 8,175	\$ 6,857
Income taxes payable	-	923
Current portion of deferred revenue	123	164
Current portion of deferred lease inducements	299	298
Current portion of obligation under capital leases	110	8
	8,707	8,250
Deferred revenue	76	96
Deferred lease inducements	529	564
Obligations under capital leases	293	-
Future income taxes	1,250	1,140
	10,855	10,050
SHAREHOLDERS' EQUITY		
Share capital - Note 5	44,045	46,085
Contributed surplus - Note 6	3,959	3,776
Retained earnings	24,069	21,341
	72,073	71,202
	\$ 82,928	\$ 81,252

Subsequent Events - Note 11

See accompanying notes to interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(in thousands)

	Three Months Ended	
	September 30 2008	September 30 2007
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net income from continuing operations	\$ 6,056	\$ 3,418
Items not affecting cash:		
Amortization of capital assets	1,317	1,141
Amortization of intangible assets	6	78
Stock-based compensation	299	92
Future income taxes	2,692	67
	10,370	4,796
Change in non-cash operating items:		
Accounts receivable	1,796	(324)
Prepaid expenses, deposits and other	(157)	(594)
Accounts payable and accrued liabilities	1,319	(1,144)
Income taxes payable	(923)	(777)
Income taxes receivable	(969)	(807)
Deferred revenue	(61)	(31)
Deferred lease inducements	(34)	(105)
	11,341	1,014
INVESTING ACTIVITIES		
Business acquisitions - Note 3	(214)	-
Purchase of capital assets	(940)	(1,055)
	(1,154)	(1,055)
FINANCING ACTIVITIES		
Repayment of capital leases	(57)	(37)
Dividends paid on common shares	-	(2,062)
Issuance of common shares	75	200
Shares repurchased	(5,559)	(1,694)
	(5,541)	(3,593)
Cash provided (used) by continuing operations	4,646	(3,634)
Cash provided (used) by discontinued operations:		
Operating activities	-	533
Investing activities	-	(89)
	-	444
INCREASE (DECREASE) IN CASH	4,646	(3,190)
CASH, BEGINNING OF PERIOD	15,644	18,237
CASH, END OF PERIOD	\$ 20,290	\$ 15,047
Supplemental cash flow information:		
Interest paid	\$ 7	\$ 4
Interest received	84	93
Income taxes paid	2,436	3,382

See accompanying notes to interim consolidated financial statements.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)**

(in thousands, except per share amounts)

Nature of Business

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 September 30, 2008, the Company operated 391 (2007 – 361) branches.

Note 1 – Significant Accounting Policies

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.

Note 2 – Changes in Accounting Policies and Practices

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)

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

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 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 9 - Financial Instruments.

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.

Going Concern

In April 2007, the CICA approved amendments to Handbook Section 1400, “General Standards of Financial Statement Presentation”. These amendments require management to assess an entity’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity’s ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The Company adopted this standard and there have been no material impacts on its financial position and results of operations.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)**

(in thousands, except per share amounts)

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

Recent Accounting Pronouncements Not Yet Adopted

Goodwill

In February 2008, the CICA issued Handbook Section 3064, ("CICA 3064") Goodwill and Intangible Assets. CICA 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 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 interim and annual financial statements beginning July 1, 2009. The Company does not expect the adoption of this standard to have a material impact on its financial position and results of operations.

Note 3 – Business Acquisitions

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

Capital assets	\$	10
Customer contracts, relationships, lists and other		30
Goodwill		174
	\$	214

Note 4 – Accounts Payable and Accrued Liabilities

	September 30 2008	June 30 2008
Trade accounts payable	\$ 1,857	\$ 2,227
Accrued liabilities	1,739	1,890
Accrued salaries and benefits	3,615	2,622
Amounts due to third party lenders	951	100
Other	13	18
	\$ 8,175	\$ 6,857

(in thousands, except per share amounts)

Note 5 – Share Capital

(a) Issued share capital

	September 30 2008		June 30 2008	
	Number of Shares	Amount	Number of Shares	Amount
Authorized:				
Unlimited common shares with no par value				
Issued:				
Balance, beginning of period	19,540	\$ 46,085	20,793	\$ 48,954
Transfer from contributed surplus for stock options or warrants exercised - Note 6	-	116	-	117
Options exercised	70	75	100	200
Shares repurchased	(946)	(2,231)	(1,353)	(3,186)
Balance, end of period	18,664	\$ 44,045	19,540	\$ 46,085

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 946 Common shares at a cost of \$5,559 for the three months ended September 30, 2008.

(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.

	September 30, 2008		June 30, 2008	
	Total Options for Shares	Weighted Average Price	Total Options for Shares	Weighted Average Price
Outstanding, beginning of period	1,089	\$ 4.35	765	\$ 5.62
Granted	170	4.98	607	4.17
Exercised	(70)	1.07	(100)	2.00
Forfeited	(20)	3.92	(183)	5.04
Outstanding, end of period	1,169	4.65	1,089	4.35
Exercisable, end of period	247	\$ 5.97	250	\$ 4.89

At September 30, 2008, the range of exercise prices, the weighted average exercise price and weighted average remaining contractual life are as follows:

Fiscal Year Granted	Number Outstanding	Weighted Average Remaining Term	Weighted Average Exercise Price	Number Exercisable
2004	30	5 mos.	\$ 1.14	30
2005	10	13 mos.	3.85	10
2006	315	22 mos.	6.48	107
2007	100	34 mos.	5.51	67
2008	544	48 mos.	3.54	33
2009	170	57 mos.	4.98	-
	1,169	40 mos.	\$ 4.65	247



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)**

(in thousands, except per share amounts)

Note 6 – 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 5 (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.

	September 30 2008	June 30 2008
Balance at beginning of period, as previously stated	\$ 3,776	\$ 3,268
Stock options or warrants exercised	(116)	(117)
Stock-based compensation expense	299	625
	\$ 3,959	\$ 3,776

Note 7 – Discontinued Operations

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 is 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 ended September 30, 2007 as discontinued operations.

The loss from discontinued operations is summarized as follows:

	Three Months Ended	
	September 30 2008	September 30 2007
Rental Revenue	\$ -	\$ 5,453
Loss from discontinued operations before tax	-	(576)
Loss from discontinued operations	\$ -	\$ (390)

Note 8 – Dividends

Dividends in the amount of nil (2007 - \$2,062) were paid during the three months ended September 30.

(in thousands, except per share amounts)

Note 9 – Financial Instruments

(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 lease 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 lease 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.

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 credit risk, liquidity risk, interest rate risk and other market price risk. On a quarterly basis the Company reviews financial risks and 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.

(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. The Company does not currently use derivative instruments to manage interest rate risks.

(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.

(in thousands, except per share amounts)

Note 9 – Financial Instruments and Risk Management (continued)

(iii) Credit Risk (continued)

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 September 30, 2008 there are no significant past due accounts and there has been no impairment adjustments made to the accounts.

The maximum exposures to credit risk are represented by the carrying amount of accounts receivable which is approximately \$3,822. This amount is made up of the following:

	September 30 2008	June 30 2008
Notes receivable	\$ 1,575	\$ 600
Mortgages receivables	732	835
Due from The Cash Store Australia Holdings Inc.	-	660
Other	1,515	3,523
	\$ 3,822	\$ 5,618

The Notes receivable are secured by the assets of Insta-Rent Inc. and the Mortgages receivables are secured by customers’ residential properties. Subsequent to September 30, 2008, \$875 was received against the Notes Receivable. During the quarter, \$85 in interest income (\$nil – 2007) was earned on the notes receivable from Insta-rent Inc.

(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 which is approximately \$8,578. This amount is made up of the following:

	Carrying Amount	Contractual Cash Flows	Less Than 1 Year	1-3 Years
Accounts payable and accrued liabilities	\$ 8,175	\$ 8,175	\$ 8,175	\$ -
Capital lease obligations (including interest)	403	459	136	323
	\$ 8,578	\$ 8,634	\$ 8,311	\$ 323



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)**

(in thousands, except per share amounts)

Note 10 – Management of Capital

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.

Note 11 – Subsequent Events

(a) Dividends Paid

On October 2, 2008 the Company paid a cash dividend of \$0.025 per common share and a special cash dividend of \$0.075 per common share for a total payment of \$1,912.

(b) Dividends Declared

On October 28, 2008 the Company declared a cash dividend of \$0.065 per common share. The dividend will be paid on November 27, 2008 to shareholders on record as of November 12, 2008. Decisions on future dividends will be subject to Board of Directors' approval.

Note 12 – Comparative Figures

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