



Q4 2008 Financial and Year End Highlights CFO's Review of Financial Performance

Highlights of Q4 2008 and Year End Commentary by Nancy Bland (CFO) - August 28th, 2008

Net Income

Income from continuing operations for the year ended June 30, 2008 was \$12.5 million, compared to \$8.7 million in the prior year. The higher earnings resulted in diluted earnings per share from continuing operations increasing to \$0.62 compared to \$0.42 for the year ended June 30, 2007. The Company's EBITA for the year ended June 30, 2008 was \$26.3 million, compared to \$19.0 million for the year ended June 30, 2007.

The higher fiscal 2008 earnings reflect the following:

- Increased branch-level operating results due to improved revenues, growing same branch sales, and decreased retention payments;
- Targeted expenditures on infrastructure enhancements to increase revenue generation, including: a new cheque cashing department, a new centralized collections department, increased capacity in the internal audit and training departments; and, increased capacity for regional and divisional management; and,
- Decreased expenditures on stock-based compensation.

Revenue and same Branch Sales

Revenues have improved relative to the year ended June 30, 2007.

Revenue for the year ended June 30, 2008 totaled \$130.8 million, an increase of \$7.2 million or 6% compared to \$123.6 million in the prior year.

Same branch sales improved 7% for the 338 branches open since the beginning of fiscal 2007 averaging \$375,700 in fiscal 2008 compared to the \$352,300 in the prior year.

The increase reflects the impact of several strategic initiatives further executed upon by management. Increased revenues more than offset increased expenses. As revenue rises, expenses are expected to remain relatively constant.

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, collections and telephone re-connect services) increased to \$5.9 million for the quarter, compared to \$5.1 million in the same period last year and \$21.7 million for the year ended June 30, 2008, compared to \$19.8 million for fiscal 2007, which was an increase of 9%.

A Customer Loyalty Program, a term loan product, and a line of credit product are currently being tested in several key markets.

Retention Payments

Third-party lender retention payments for the year ended June 30, 2008 totalled \$20.1 million or 3.9% of loans brokered, compared to \$23.4 million or 4.7% of loans brokered in the same period last year.

There were lower retention payments despite the fact that total loans brokered increased to \$522 million this year from \$499 million. As a percentage of revenue, retention payments have decreased to 15.4% in the year ended June 30, 2008, compared to 19.0% in the year ended June 30, 2007.

Management believes that the focus on improving processes and controls, as well as the establishment of an internal collection department, has resulted in the decrease in retention payments.

Branch count

As at June 30, 2008, the Company had a total of 384 branches in operation, compared to 358 a year ago.

Thirty seven new branches were opened during the year, while eleven branches were closed and their customer accounts transferred to nearby branches.

Working Capital and Cash Flow

The Company is well-positioned to fund future growth initiatives and working capital requirements with a cash position of \$15.6 million and a positive working capital of \$16.7 million as at June 30, 2008.

For the year ended June 30, 2008, working capital has increased to \$16.7 million, by \$7.3 million from \$9.4 million at June 30, 2007. Approximately \$5.0 million in future assets will be realized by the Company over the next year due to the completion of the spin-out of the rental division.

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., whose common shares were, upon the completion of this transaction, owned by the shareholders of the Company. Insta-Rent Inc. is publicly traded on the TSX Venture stock exchange under the symbol "IRR".

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 year ended June 30, 2008 and 2007 as discontinued operations.

The net loss from discontinued operations during the year was \$1.7 million, which includes \$678,000 of spin-off costs related to the transaction, compared to a net loss of \$2.8 million during fiscal 2007. The decrease in the net loss was due to improved branch operating income compared to the prior year.

Income taxes

The Company's effective tax rate was 38.6% for the year ended June 30, 2008, compared to 35.4% in the prior year. The year-over-year increase was caused by a reduction in the value of future income tax assets as a result of lower corporate tax rates.

The effective rate was also higher than the calculated consolidated statutory rate of approximately 30.6% or 34.5 % in 2007 due to the reduction and the impact of non-deductible stock-based compensation which totalled \$625,000 in fiscal 2008 and \$1.2 million in fiscal 2007.

Q4 2008 Compared to Q4 2007

Net Income

Net income from continuing operations for the fourth quarter of fiscal 2008 increased to \$3.2 million, compared to \$2.0 million for the same quarter last year due to increased revenue, decreased expenses and lower retention payments.

Diluted earnings per share for continuing operations for the fourth quarter were \$0.16 compared to \$0.09 per share for the same quarter last year.

Revenue and same Branch Sales

Revenue for the fourth quarter of fiscal 2008 increased to \$34.5 million, compared to \$31.5 million for the same quarter last year due to an additional 26 branches operating during the fourth quarter of fiscal 2008 as well as an increase in average revenue per branch as compared with the same quarter last year.

Same branch sales for the 344 locations open since the beginning of the fourth quarter of fiscal 2007 increased by 5% compared to the same quarter last year, with same branch sales averaging \$91,700 in the fourth quarter of fiscal 2008 compared to \$87,300 in the fourth quarter of fiscal 2007.

Management believes the increase reflects the impact of recent training and development activities, and management programs for underperforming branches.

Branch Operating Income

Branch operating income increased 29% to \$11.7 million, compared to \$9.1 million in the fourth quarter last year.

Retention Payments

Retention payments dropped 23% to \$4.2 million, or 3.1% of loans brokered in the fourth quarter compared to \$5.5 million, or 4.3% of loans brokered, in the fourth quarter of last year. For the quarter, retention payments increased to \$137 million from \$121 million last year. As a percentage of revenue, retention payments have increased to 12.2% in the year ended June 30, 2008, compared to 17.4% in the year ended June 30, 2007.

Income taxes

The Company's effective tax rate was 46.2% for the quarter ended June 30, 2008 compared to 33.4% for the same quarter in the prior year.

The increase was caused by lower effective rates being applied on the valuation of future tax assets during the quarter. Going forward we expect tax rates to be approximately 33%.

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