ad>ance

our business.

Rentcash Inc.

Annual Report 2006

1 Advance
2 Advance with Assurance
4 Advance to Meet Customer Needs
7 Advance our Infrastructure Support
9 Advance Careers and Skills
10 Advance Growth
11 Advance into the Future
12 Management's Discussion and Analysis
27 Financial Statements
46 Corporate Governance
47 Board of Directors
48 Corporate Information

net income

year in review

Highlights of Fiscal 2006

- Net income more than doubled to $14.0 million from $6.8 million in the prior year.
- Diluted earnings per share improved to $0.67 from $0.38 in the prior year.
- Revenue increased to $154.2 million from $76.8 million in the prior year.
- Store count increased to 430 with the addition of 69 stores.
- Successfully adjusted to a significant change in our brokerage business model.
- Implemented a number of enhancements to our management team, business processes and systems.
- Improved the leadership of our rental division with the hiring of Mr. Bill Johnson as President and Chief Operating Officer of Insta-rent in April of 2006.
- Developed a plan to separate the brokerage and rental divisions through either the sale or spin-off the rental division into a separate public company.
- Welcomed Terry Freeman, CA, and Edward C. McClelland to Rentcash's Board of Directors. Mr. Freeman is the Chief Financial Officer of Flint Energy Services Ltd. and Mr. McClelland's background is in building and managing financial services companies.
- Ranked number one by *Alberta Venture* magazine in their Fast 50 List. This marks our third year on the respected magazine's list, which showcases companies that have experienced a significant increase in revenue, assets and earnings over a minimum three-year period of operation.

revenue

Rentcash is an alternative financial services provider to customers that are under-served by traditional sources for short-term loans, merchandise rentals, and other valued and needed services.

Rentcash is the only payday advance broker in Canada publicly traded on the Toronto Stock Exchange (TSX: RCS). As of June 30, 2006 Rentcash operated 430 stores across Canada under three banners: The Cash Store, Instaloans and Insta-rent.

Brokerage Division
With a combined total of 338 locations, The Cash Store and Instaloans act as brokers to facilitate payday advance services to income-earning consumers and provide two private-label debit cards, The Cash Store Cash Card™ and the InstaWorld Debit Card. A typical payday advance ranges from $100 to $1000, and allows consumers access to a service they might not otherwise be able to obtain from traditional financial sources.

Rental Division
With a total of 92 locations at year end, Insta-rent rents brand-name furniture, appliances, electronics and computers, with or without an option to purchase. Insta-rent operates primarily in The Brick and United Furniture Warehouse locations, which are part of The Brick Group, one of Canada’s largest volume retailers of household furniture, mattresses, appliances and home electronics.

advance

Over our five-year history, Rentcash Inc. (“Rentcash”) has advanced across Canada. Beginning with a handful of stores in Alberta, we’ve grown into a coast-to-coast enterprise encompassing three separate store banners providing alternative financial services to an emerging market.

This advance includes fiscal and physical growth as well as achieving strong and improving results in all areas of the company. Our success is attributable to our commitment to advancing our customer service offerings, business practices, people, shareholder value, and the company as a whole.

advance with assurance

On behalf of Rentcash Inc.'s associates, management team and Board of Directors, it is my distinct pleasure to announce that 2006 was a record year marked by significant advances in several areas of the company.

We celebrated our fifth year in operation since the opening of our first store in April of 2001. We successfully adjusted to a significant change in our brokerage business model and made substantial enhancements to our management team, business processes and systems. At the same time, we also produced tremendous growth in both revenue and net income.

In fiscal 2006, we saw our net income and revenue more than double over the prior year. Net income rose to $14.0 million from $6.8 million in 2005 while diluted earnings per share climbed to $0.67 ($0.68 basic) compared to $0.38 ($0.40 basic) last year. Revenue for fiscal 2006 increased to $154.2 million from $76.8 million in the previous year.

During the year, our store count increased from 361 at the end of last year to 430 at the end of fiscal 2006, with 338 stores in the brokerage division and 92 in the rental division. Since Rentcash's inception five years ago, we've experienced a rapid pace of growth with an average of seven new stores per month and boast a commanding national presence.

In the brokerage division, revenue more than doubled to $130.1 million, compared to $63.9 million in the prior year. Net income rose to $18.6 million in fiscal 2006 compared to $9.7 million in the prior year. Total loans brokered grew to $556 million from $281 million in fiscal 2005 and an additional 61 stores were added to the existing store base.

Revenues generated by the rental division increased by 87% to $24.1 million, compared to $12.9 million in the prior year. The rental division incurred a net loss of $3.1 million in fiscal 2006, compared to a loss of $1.8 million in the prior year as the higher revenues were more than offset by the start-up costs associated with the 60 stores opened in the past two years. There were 12 new rental locations opened during the year and four locations were closed.

The record revenue and profits experienced this year occurred in the midst of a considerable change to the brokerage division's business model. We made a voluntary decision to implement a "no rollover policy" in January 2005. Even though the change had an impact on the company's earnings, through losses experienced by the third party lenders that we chose to offset with retention payments, we firmly believed it was the best choice in the long term for our customers, the company, and the industry overall. We've now emerged from this transitional period with refreshed relationships with customers and lenders, better business practices, and we continue on in a position of leadership in the industry.

Subsequent to the year end, the Board approved a plan to separate the company's business segments by either selling or spinning off the rental division. Management believes this will provide better clarity on both business models and have a positive long term impact on shareholder value. In support of this objective, and to improve overall performance, we have enhanced the leadership of the rental division. Mr. Bill Johnson was hired as President and Chief Operating Officer of Insta-rent in April of 2006. Mr. Johnson, for the past ten years, was the Executive Vice President and Chief Financial Officer of the largest merchandise rental company in Canada.

We also plan to further investigate the viability of converting the company into an income trust. It's our belief that with the solid cash flows generated by the brokerage division that the income trust structure may be in the best interest of Rentcash and its shareholders.

A key objective for fiscal 2007 is controlled profitable growth and to achieve this objective a considerable amount of focus will be on the existing store base. We believe there is significant potential to increase revenues, and ultimately earnings, through the improved performance of stores less than three years old. While the average revenues generated by stores older than three years are solid, we've identified a number of these stores that are performing below our expectations. Action plans have been developed for these stores and improved performance is expected over the upcoming year.

Notwithstanding our focus on the existing store base, we plan to open approximately 30 new brokerage stores this year. The brokerage model continues to be a strong financial model and we've invested wisely into infrastructure to support future growth.

In the fourth quarter of fiscal 2006, we began expanding our cheque cashing business which was generating revenues of just over $100,000 per month. We believe that there is substantial opportunity to grow this revenue stream and have developed processes and enhanced systems to support this market.

We have grown, adapted, and evolved over our five year history and are well positioned to capitalize on the growth opportunities that exist in Canada. We will remain focused on enhancing shareholder value by continuing to deliver improving financial performance in future years.

Over the past five years I have gained a lot of knowledge, not only within our industry but also within our company. I take joy and pride in seeing the advancement of careers, skills and knowledge in the people who have worked together as a team to build this organization.

The entire Rentcash team has contributed to each and every one of the advances made this year. On behalf of the Board of Directors, I would like to thank our shareholders and associates for their ongoing support.

Regards,

Gordon J. Reykdal
Chairman, President and Chief Executive Officer
September 1, 2006

advance to meet customer needs

We exist for one simple reason: because our services are needed.

Our goal is to build relationships with customers. This understanding impacts the products and services we offer, the way in which we offer them, and it is what differentiates us from others in our approach.

In the brokerage division, The Cash Store and Instaloans focus on income earning consumers who are underserved by traditional financial sources.

Customers are welcomed with open and inviting counters, bright lighting, informative product posters and brochures and a "How may I help you?" from one of our associates. The atmosphere is warm, friendly and comfortable.

- We offer payday advance customers the option to receive funds on a private-label debit card that is immediately usable at any ATM or POS system and gives the customer the added security of not having to carry large amounts of cash.
- We introduced a Payment Protection Plan (PPP) in partnership with Trans Global Insurance to give customers coverage against income disruption.
- A partnership with H&R Block has added income tax preparation services within some stores.
- Western Union® Money Transfer™ allows customers to pay bills and transfer money quickly and reliably.
- The acquisition of Tembo Telecom Inc. allows us to reconnect phones after service interruption and provide 'pay as you go' phone service.

In the rental division, Insta-rent is committed to helping people obtain the merchandise they want when they want. Our commitment to customer satisfaction and product quality offers customers a wide range of services and a solid depth of expertise.

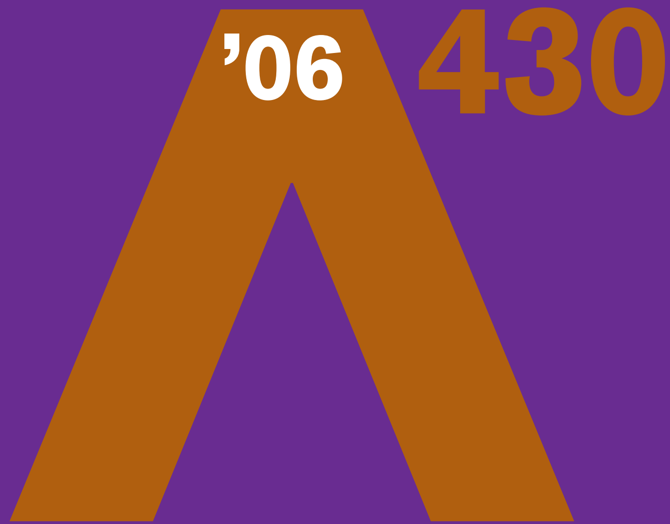
We offer terms that are attractive to many customers who either choose not to make a cash purchase, may be unable to qualify for credit or are unwilling or unable to wait until they can save for a purchase.

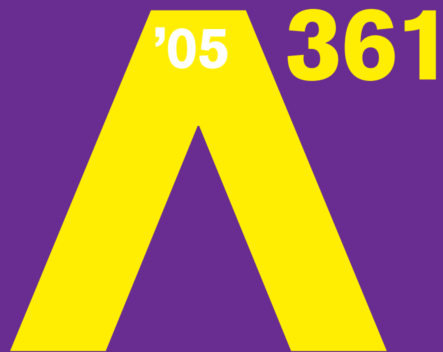
- Our relationship with The Brick Group allows us to offer a product selection that is unmatched.
- Flexibility in the transaction allows the return of merchandise at any time, without obligation for further payments or negative impact on the customer's credit rating.
- We offer free servicing and repairs while the customer is renting. The customer can call for a pick up or simply bring the merchandise requiring service to the nearest store.
- Free delivery and set up is provided with most products.

We recently launched a 'How Are We Doing?' program in both divisions that asks customers for feedback in order to strengthen service delivery and enhance product offerings.

We aim to provide our customers with more than just a product or a service and we look to develop partnerships and services that boost our value to the neighbourhoods we serve. Other tangible benefits include an opportunity to establish or re-establish a good credit rating, preserve peace of mind through financial emergencies, and the chance to develop better money habits.

number of stores





Our Vision:
To be the alternative financial services provider of choice.

Our Four Core Values:
Honesty. We are honest with our co-workers and the people we deal with.

Integrity. A way of conducting one's life and the ability to operate ethically, in all circumstances, at all times.

Loyalty. The company is loyal to you, you are loyal to the company, and above all, we are loyal to our customers.

Teamwork. We can do it together.

Our Mission Statement:
To satisfy the needs of our customers in a positive and professional manner and to always act as a responsible corporate citizen.

Our Code of Conduct:
Respect Your Customers. Treat them with dignity and courtesy at all times.

Respect Your Associates. Treat them as you would like to be treated.

Respect Yourself. Work hard and use good, ethical judgment in everything you do.

Respect the Law. It is there to protect us and our customers.

advance our infrastructure support

Our overall corporate strategy focuses on consistently reaching for excellence in all business areas, with the four core values of honesty, integrity, loyalty and teamwork defining 'excellence' within the context of our mission. Our mission and values remain stable as we evolve, but we are flexible and responsive in carrying out our goals.

The past year has seen us establish and strengthen several key departments and develop enhanced controls and processes.

We've added a wealth of additional experience, knowledge and skill to our management team with the hiring of a President & COO for the rental division, a Vice President of Risk Management, Vice President of Finance, a Vice President of Internal Audit and subsequent to year end a Vice President of Information Technology.

In the brokerage division, we substantially improved our operational support team and implemented enhanced monitoring and reporting systems. Training resources and programs continue to be developed and rolled out to all associates. In February of 2006, a risk management department was established to identify areas of risk and opportunity and to lead the development and implementation of appropriate strategies, processes and systems.

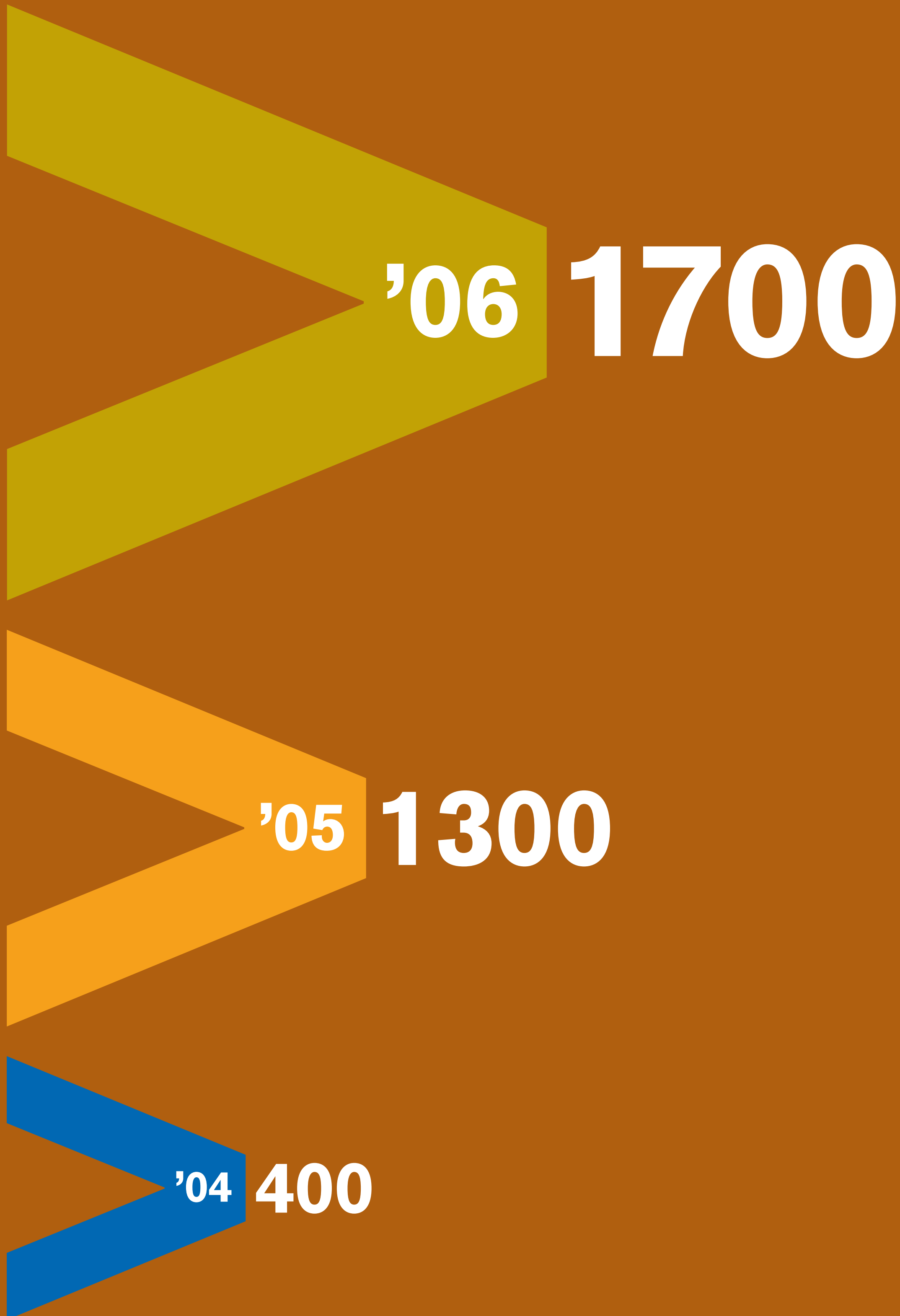
In April of this year we launched a cheque cashing department as part of our efforts to increase revenue from this service. The role of this new department is to mitigate risk by verifying and approving all cheque cashing transactions. Currently, we only have a small share of the cheque cashing market and we believe that through a focused effort we have the opportunity to grow this revenue stream.

In an effort to drive sales and revenues on existing and new product offerings; the brokerage division created the role of sales manager in 2006. Through the use of sales training, product development, and program improvements this position paid immediate rewards with an increase in revenue generated from our first area of focus, the Payment Protection Plan program.

In the rental division, we welcomed Bill Johnson to the newly established role of President and Chief Operating Officer of Insta-rent. Bill was previously the Executive Vice President and Chief Financial Officer of the largest merchandise rental company in Canada. He brings substantial experience to Insta-rent and will be a great asset in improving the overall performance of the rental division. The creation of this role also supports our objective of selling or spinning off Insta-rent into a separate company – a strategy to enhance overall shareholder value.

To sustain controlled profitable growth, infrastructure is key. We must constantly refine our team, controls and processes to respond to a changing market and industry.

number of associates



advance careers and skills

In 2006, hiring, training, and development programs were a key area of focus.

Hiring the right people who embrace and support our core values and then giving them the tools they need to succeed is the single biggest reason for our success.

Training needs are identified through our mystery shop program, information gathered through our risk management department, internal findings, and feedback received from management and store associates.

A wealth of training material is available through video, online learning and in person on-the-job training. Managers have access to hiring guides to assist them in the selection process as well as training guides to help them in developing new associates. New store associates are oriented by way of an interactive training program supplemented by a multimedia library. Training consultants are available in every region in Canada to champion any new training initiatives.

Each year regional managers and the senior management team participate in an annual retreat. In 2006 the focus was team building and leadership development. Regional managers also participate in quarterly management development sessions that provide them with tools to support their day to day management skills and personal development.

Performance development was introduced to all associates in 2006. Store managers and associates now participate in quarterly or semi annual performance discussions aimed at recognizing their achievements and creating development plans for future success.

Three Corporate Development (CD) specialists were hired in the third quarter of 2006 to support the brokerage division. CD specialists are responsible for the initial training and development of store associates and also assist regional managers in the hiring process. They have proven to be an invaluable resource to the operations team and the success of this program has been so great that we are doubling our compliment of CD specialists in 2007.

Associate satisfaction surveys were conducted in 2006 on the management and leadership style of individuals at the senior executive and regional manager levels. The intent of the surveys was to gather feedback on successful management and leadership approaches as well as to collect information on improvements that could be made. Personal development plans were created and implemented as a result of these surveys.

In fiscal 2007, a Training Centre program will be piloted providing associates with a venue for classroom based training conducted by a full time corporate trainer. The centre will provide new associate training, along with customer service, computer and sales training.

"This company is fantastic for developing ability, skills, and attitude. For go-getters, the sky's the limit."

Liz Nitschmann, Regional Manager, The Cash Store. Started in 2002 as a Store Associate.

"The people who work here care about this company and care about the people around them. We're all aware that everything we do has an impact on everybody else."

Renee Berlingo, Operations Assistant, Corporate Office. Started in 2001 as a Part-Time Associate.

advance growth

You can literally 'map out' our amazing growth as our storefronts have advanced across Canada in response to consumer need.

When Rentcash Inc. was founded we set a goal to reach 300 stores by our fifth anniversary. From the first store opening in April 2001, the strategy has been to build on our successes, using older stores to fund the growth of new stores and set the pace of expansion. That goal was vastly exceeded when we celebrated the opening of our 400th store in 2006.

By the end of fiscal 2006, our store count had grown to 430, compared to 361 at the end of the prior year. Since Rentcash's inception five years ago, we've experienced a rapid pace of growth with an average of seven new stores per month and boast a commanding national presence.

There were 61 new stores opened in the brokerage division this year, including six established stores acquired in the first quarter for a total of 338 stores at year end. Over the past five years the brokerage division has maintained a strong and steady pace of growth beginning with only five stores in 2001. Future plans for this division include continued expansion with approximately 30 new store openings planned for the upcoming year. While we will continue to add new stores, a considerable amount of focus in fiscal 2007 will be on the existing store base. We believe there is significant potential to increase revenues, and ultimately earnings, through the improved performance of the 181 stores less than three years old.

The rental division's store count increased by eight in 2006 with 12 new store openings and the closure of four rental centres, for a total of 92 at year end. Starting with only three stores in 2001 the rental division has also experienced a steady pace of growth. Future plans for the rental division also include focusing on the existing store base as 59 of the existing stores are less than two years old.

We've celebrated many victories to date. We continued to grow while embracing changes in our industry and business practices. We've adapted and were able to focus on balancing our growth with refining and improving our operations, processes, and training.

advance into the future

We’re looking forward to the opportunities and challenges the coming year holds. Over the past five years, we’ve honed our strategies and skills, and we will continue to advance our company and people. Despite our fantastic growth, the potential for future growth remains.

Infrastructure is key to managing our growth along with having processes in place that allow us to fully develop our business. The story of 2007 will be about “Controlled Profitable Growth.” We will continue to create and implement enhanced controls to maximize revenue and minimize loss. We remain committed to exploring new products and services and developing strategic partnerships to strengthen our service offerings.

Subsequent to the year end, the Board approved a plan to separate the company’s business segments by either selling or spinning off the rental division. We believe this will provide better clarity on both business models and have a positive long term impact on shareholder value.

We also plan to further investigate the viability of converting the company into an income trust. It’s our belief that with the solid cash flows generated by the brokerage division that the income trust structure may be in the best interest of Rentcash and its shareholders.

Rentcash began with an idea, which quickly grew into a philosophy, about meeting the needs of customers who had been underserved by others. Our company was founded to serve people and as we advance into the future we will stay rooted in that philosophy.

management's discussion and analysis

For the year ended June 30, 2006

Introduction

The following management discussion and analysis (MD&A) should be read in conjunction with Rentcash Inc.'s (Rentcash or the Company) fiscal 2006 audited consolidated financial statements which are available on SEDAR at www.sedar.com and the Company's annual information form (AIF) for fiscal 2006 which will be available on SEDAR at the end of September 2006 (fiscal 2005 AIF currently available on SEDAR).

Effective for the quarter ended March 31, 2006, the Company changed its accounting with respect to certain provisions of its license agreement with The Brick Group. This accounting change was implemented retroactively with the restatement of prior periods. Accordingly, the company restated and re-filed its audited consolidated financial statements for the year ended June 30, 2005 and these statements are available on SEDAR at www.sedar.com. The comparative figures for fiscal 2005 and prior periods contained in this MD&A have been updated to reflect the impact of this change.

Additional information relating to the Company, including the AIF, is available on SEDAR at www.sedar.com.
For further information on the payday advance industry please visit the Canadian Payday Loan Association's website at www.cpla-acps.ca.

This management's discussion and analysis is dated as of September 1, 2006.

Cautionary Statement Regarding Forward-looking Statements

Certain statements made in this document constitute forward-looking statements. These forward-looking statements may relate to our objectives, strategies, operations and targeted financial results. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "belief", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These forward-looking statements are inherently subject to risks and uncertainties beyond the Company's control, including, but not limited to, changes in economic and political conditions, legislative or regulatory developments, technological developments and competition. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

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, Stock-based Compensation, Amortization of Capital and Intangible Assets' (EBITA) do not have standardized meanings prescribed by GAAP, these measures are used herein or can be determined by reference to the Company's financial statements. "Same store sales" is a non-GAAP measure tracked and reported by the Company and is generally used to compare the average revenue for a particular group of stores in a current period to that same particular group of stores in a prior period. This non-GAAP measure is a way to gauge the performance of a particular group of stores and is directly related to and helps explain changes in total revenue. Average revenue is defined as base revenue before other non-core income for the period divided by the number stores. These measures are discussed because management believes that they facilitate the understanding of the Company's results of operation and financial position.

Business Profile and Strategy

The Company operates under three store banners: The Cash Store, Instaloans and Insta-rent. The Cash Store and Instaloans act as brokers to facilitate payday advance services to income earning consumers. Insta-rent rents brand name furniture, appliances, electronics and computers, with or without an option to purchase. At June 30, 2006, the Company owned and operated 430 stores in 9 provinces and 2 territories and employs over 1,700 associates within Canada. Rentcash is listed on the Toronto Stock Exchange under the symbol RCS.

In the brokerage division, The Cash Store and Instaloans act as brokers on behalf of consumers seeking short term advances with third party lenders without having to provide a credit history or security on the loan, as is generally required by commercial lending institutions. The Company's operating strategy in this segment is based on the recognition that the needs of a segment of the population are not being met by traditional financial institutions. The goal is to establish The Cash Store and Instaloans as neighbourhood financial supermarkets providing a wide range of services, a high level of customer service and convenient hours of operation.

The Company's strategy for Insta-rent is to primarily expand through a strategic arrangement with The Brick Group, building a national chain of outlets while maintaining a high level of customer service.

The key strategic objective established for fiscal 2007 is Controlled Profitable Growth. To achieve this objective a significant amount of management's focus will be on improving the performance of the existing store base.

Another key objective for fiscal 2007 is the separation of the brokerage and rental divisions through either the sale or spin-off of the rental division into a separate public company. It is believed that the implementation of this objective will enhance overall shareholder value. In support of this objective, Mr. Bill Johnson was hired as President and Chief Operating Officer of Insta-rent in April 2006. Mr. Johnson, for the past ten years, was the Executive Vice President and Chief Financial Officer of the largest merchandise rental company in Canada.

In fiscal 2007, the Company also plans to investigate the viability of converting the Company into an income trust. A detailed review of the merits of converting to an income trust structure will be undertaken together with legal, financial and tax advisors.

Overall Financial Performance

Highlights of 2006

- Net income was $14.0 million, up from $6.8 million in 2005
- Diluted earnings per share of $0.67, compared to $0.38 in the prior year
- Revenue doubled to $154.2 million
- Retention payments (formerly administrative allowance provision) were $24.6 million, compared to $10.3 million in the prior year
- 430 stores in operation as of June 30, 2006, up 69 from a year ago
- Subsequent to year end, a plan was approved to either sell or spin-off the rental division
    - o Proforma diluted earnings per share from continuing operations would have been approximately $0.82, compared to the amount reported of $0.67

Table – Selected Annual Financial Information

(thousands of dollars, except per share amounts and store figures)

		Years Ended June 30		
		2006	2005	2004
Consolidated Results	*No. of stores*	***430***	*361*	*144*
Revenue - Brokerage fees		**$ 130,061**	$ 63,891	$ 16,530
- Rentals		**24,108**	12,881	5,649
		154,169	76,772	22,179
Expenses		**92,241**	49,057	19,905
Retention payments		**24,562**	10,301	324
Rental asset amortization		**10,591**	4,827	1,937
Other amortization		**4,287**	1,787	538
EBITA*		**28,220**	13,272	304
Net income (loss)		**$ 13,960**	$ 6,796	$ (348)
Weighted average number of shares outstanding - basic		**20,432**	17,184	14,691
Basic earnings (loss) per share		**$ 0.68**	$ 0.40	$ (0.02)
Diluted earnings (loss) per share		**$ 0.67**	$ 0.38	$ (0.02)
Consolidated Balance Sheet Information				
Total assets		**$ 90,425**	$ 82,841	$ 11,524
Total long-term liabilities		**1,717**	3,902	2,929
Total liabilities		**20,124**	28,126	7,982
Shareholders' equity		**$ 70,301**	$ 54,715	$ 3,542

* EBITA – earnings before interest, income taxes, stock-based compensation, amortization of capital and intangible assets

Net income for the year ended June 30, 2006 increased to $14.0 million from $6.8 million in the previous year. Diluted earnings per share were $0.67 ($0.68 basic) compared to $0.38 ($0.40 basic) in the prior year. The increased earnings resulted from the Company's continued store expansion program, the impact of established stores acquired in the fourth quarter of fiscal 2005, growth in same store sales and economies of scale, partially offset by increased lender retention payments. The financial results for fiscal 2006 also reflect strong earnings growth in the Company's brokerage division, partially offset by higher losses in the rental division.

Subsequent to the year end, a plan was approved to either sell or spin-off the rental division into a separate public company. In conjunction with the plan, proforma financial information has been included in the Subsequent Event section of this MD&A to reflect the impact of the sale or spin-off as if it had been approved prior to June 30, 2006. The proforma information highlights that with the removal of the rental division's net loss the Company's net income from continuing operations for fiscal 2006 would have been approximately $17.0 million, compared to the reported net income of $14.0 million. Diluted earnings per share on a proforma basis would have been $0.82, compared to the reported diluted earnings per share of $0.67.

Store Count

During the year, the Company's store count increased from 361 at June 30, 2005 to 430 at year end, with 338 stores in the brokerage division and 92 in the rental division. There were 61 new stores in the brokerage division, including six established stores acquired in the first quarter of the year. In the rental division, the total store count increased by eight with 12 new stores and the closure of four rental centres, including one closed by The Brick Group as part of their restructuring (see the Rental Segment of this MD&A for additional information).

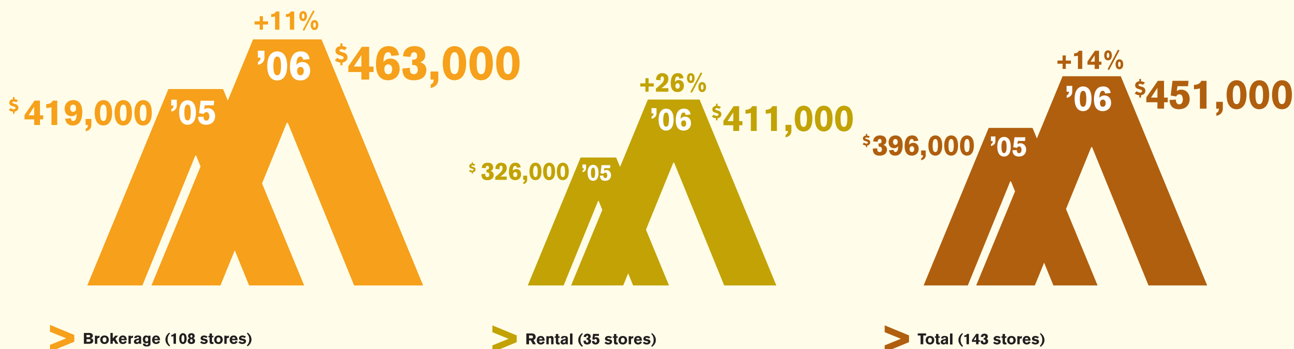
The target for new store openings in fiscal 2007 is approximately two to three new brokerage stores per month for a total of 30 over the year. There are no new rental stores currently planned and in fact there are five stores scheduled for closure where accounts will be combined with nearby stores. The rental division is exploring the possibility of opening some stand-alone super centres in key locations to help move excess idle inventory.

Chart – Summary Store Count

Revenue

Revenue for fiscal 2006 totalled $154.2 million, an increase of $77.4 million (101%) over $76.8 million in the prior year. The strong growth reflects increases in both brokerage and rental revenues as each division benefited from increased stores in operation and growth in same store sales (see discussion below). Brokerage revenue more than doubled to $130.1 million, compared to $63.9 million in the prior year. Rental revenues increased 87% to $24.1 million, compared to $12.9 million in fiscal 2005.

Chart – Summary of Average Same Store Revenues for Fiscal 2006 compared to 2005



"Same store sales" is a non-GAAP measure tracked and reported by the Company and is generally used to compare average revenue for a particular group of stores in a current period to that same group of stores in a prior period. At the beginning of fiscal 2005, the Company's total store count was 143, consisting of 108 brokerage and 35 rental locations (including one closure in the fourth quarter of fiscal 2006). The same store sales generated by these 143 stores averaged $451,000 in fiscal 2006, an increase of 14% over $396,000 in the prior year. On a segmented basis, same store sales increased 11% in the brokerage division and 26% in the rental division.

Expenses

Expenses for fiscal 2006 totalled $92.2 million, compared to $49.1 million in the prior year. The increase reflects the significant increase in stores in operation, including the 69 stores added this year and 217 in fiscal 2005 (134 of which were added in the fourth quarter of that year). The increased expenses also reflect costs associated with operational and corporate infrastructure enhancements which are expected to support the Company's recent and future growth. As a percentage of total revenues, expenses improved to 60% in the year from 64% in the prior year due to economies of scale and the continued maturation of new and existing stores.

Retention Payments

Retention payments (formerly administrative allowance provision) for fiscal 2006 totalled $24.6 million (4.4% of loans brokered), compared to $10.3 million (3.7% of loans brokered) in the prior year. The increased payments resulted from total loans brokered growing to $556 million in fiscal 2006 from $281 million in the prior year. The increased percentage reflects the full year impact of a no rollover policy implemented in January 2005, compared to six months for fiscal 2005. The retention payments are voluntary payments to third party lenders in consideration for continuing to fund advances to the Company's customers. While the 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 experienced by third party lenders, which could result in insufficient returns for them and thus jeopardize the availability of their funds as a source for customer loans.

Amortization

Amortization of rental assets for fiscal 2006 totalled $10.6 million (44% of rental revenue), compared to $4.8 million (37% of rental revenue) in the prior year. The increased rental amortization reflects continued growth in the rental business, while the percentage increase was due to higher charge-offs and increased early payouts which have lower margins.

Amortization of capital assets increased to $3.8 million in fiscal 2006 from $1.6 million in the prior year due to the continued store expansion program.

Income Taxes

The effective income tax rate for the year ended June 30, 2006 was 37.9% compared to 37.1% in the prior year. The rate increase was due to business growth in higher tax provinces outside of Alberta and an increase in non-deductible stock-based compensation. The fiscal 2006 effective tax rate also reflects the impact of the recently announced reduction in federal income tax rates. The lower future tax rates resulted in a decrease in the value of the Company's net future tax assets which totalled approximately $4.9 million at year end. The additional charge to income in fiscal 2006 resulting from the lower future tax rates was approximately $176,000.

Balance Sheet

The Company had total assets of $90.4 million at June 30, 2006, an increase of $7.6 million over a year ago reflecting continued business growth. Liabilities totalled $20.1 million at year end, compared to $28.1 million a year ago with the decrease due to lower income taxes payable, the repayment of $3.0 million of subordinated debt and a reduction in amounts due to third party lenders. Shareholders' equity increased $15.6 million to $70.3 million at year end with the increase primarily due to earnings of $14.0 million and stock-based compensation of $1.3 million.

Operating Segment Review

The Company and its subsidiaries are engaged in two lines of business: 1) acting as a broker to customers seeking payday advances (brokerage segment); and 2) renting, with or without an option to purchase, brand name home entertainment products, appliances and household furniture (rental segment). The corporate segment consists of the Company's administrative functions including accounting and finance, human resources, business development and information systems.

Table – Segmented Financial Information*

(thousands of dollars)

		Years Ended June 30	
		2006	2005
Brokerage operations	*No. of stores*	***338***	*277*
Revenues		**$ 130,061**	$ 63,891
Expenses		**72,624**	37,119
Retention payment		**24,562**	10,301
Other amortization		**3,087**	1,136
EBITA**		**32,901**	16,503
Net income		**$ 18,558**	$ 9,650
Rental operations	*No. of stores*	***92***	*84*
Revenues		**$ 24,108**	$ 12,881
Expenses		**17,560**	10,564
Rental asset amortization		**10,591**	4,827
Other amortization		**797**	421
EBITA**		**(4,034)**	(2,501)
Net loss		**$ (3,059)**	$ (1,844)
Corporate			
Expenses		**$ 2,057**	$ 1,374
Other amortization		**404**	231
EBITA**		**(647)**	(727)
Net loss		**$ (1,539)**	$ (1,010)

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

** EBITA – earnings before interest, income taxes, stock-based compensation, amortizaton of capital and intangible assets.

Brokerage Segment

The brokerage division generated net income of $18.6 million in fiscal 2006 compared to $9.7 million in the prior year. The increased earnings reflect the significant store growth and improved same store sales, partially offset by higher retention payments. EBITA for the brokerage segment totalled $32.9 million (25% of broker fees) for the year ended June 30, 2006, compared to $16.5 million (26% of broker fees) in the prior year.

Revenue generated by the brokerage division in fiscal 2006 more than doubled to $130.1 million, from $63.9 million in the prior year. The strong revenue growth was due in large part to the Company's continued store expansion program. Over the past four years a total of 318 brokerage stores have been added, including 61 in fiscal 2006 and 169 in fiscal 2005. The target for new brokerage store openings in fiscal 2007 is approximately two to three per month for a total of 30 over the year.

Also contributing to the revenue growth was an increase in year-over-year same stores sales. In fiscal 2006, the 108 brokerage stores open since the beginning of fiscal 2005, generated average same store sales of $463,000, an increase of 11% over $419,000 in the prior year. While there was growth year-over-year, the Company saw a decrease in average same store brokerage revenues in the second half of fiscal 2006 due to the heightened awareness of the impact of lender loan losses. The Company has, and continues to, review and enhance operational practices and incentive programs to put emphasis on the collection process and credit worthiness of customers brokered to third party lenders. While these changes have resulted in lower revenues, they are ultimately expected to result in improved earnings.

The following table summarizes the average revenue generated by brokerage stores in the fourth quarter of fiscal 2006 based on the age of the stores as at June 30, 2006.

Table – Average Brokerage Revenue for Q4 2006

	# of Stores		Average Revenue
The Cash Store			
Less than 1 year	60	$	43,000
1 – 2 years	69		81,000
2 – 3 years	52		98,000
Over 3 years	54		125,000
Instaloans	103		108,000
	338	$	92,000

A key objective for fiscal 2007 is controlled profitable growth and to achieve this objective a significant amount of management's focus will be on the existing store base. The above table shows that there is significant potential to increase revenues, and ultimately earnings, through the improved performance of stores less than three years old. While the average revenues generated by stores older than three years are solid, management has identified a number of these stores that are performing below expectations. Action plans have been developed for these stores and improved performance is expected over the upcoming year.

In the fourth quarter of fiscal 2006, the Company began expanding its cheque cashing business which currently generates revenues of just over $100,000 per month. Management believes that there is substantial opportunity to grow cheque cashing revenue. Enhanced systems and processes are being developed and the initiative is being rolled out slowly with more aggressive marketing expected once the Company is comfortable with its systems and processes.

In fiscal 2006, $556 million in loans were brokered, compared to $281 million in the prior year. The average loan size brokered during the year was $338 (excluding the broker fee), which compares to $317 in fiscal 2005. With the increase in loans brokered, retention payments in fiscal 2006 increased to $24.6 million, compared to $10.3 million in the prior year. Retention payments represented 4.4% of loans brokered in fiscal 2006, compared to 3.7% in the prior year. The increased percentage reflects the full year impact of the implementation of a no rollover policy in January 2005, compared to six months in the prior year.

Expenses in the brokerage segment improved to 56% of revenue in fiscal 2006 compared to 58% in the prior year due to economies of scale and the maturation of new and existing stores, partially offset by increased operational support costs. The increased support costs reflect operational and corporate infrastructure enhancements that are expected to support the Company's recent and future growth. Amortization of capital and intangible assets totalled $3.1 million in fiscal 2006, compared to $1.1 million in the prior year due to the growth in stores and the amortization of intangible assets that resulted from the acquisition of 99 Instaloans locations in the fourth quarter of fiscal 2005.

Rental Segment

The rental division incurred a net loss of $3.1 million in fiscal 2006, compared to a loss of $1.8 million in the prior year. Higher revenues were more than offset by start-up losses associated with new stores opened over the past year. A key focus for the rental division in fiscal 2007 is improving the performance of existing stores. Over the past four years, the rental division's total store count increased from five to 92 as at June 30, 2006. During fiscal 2006, there were 12 new rental stores opened and four locations closed. There are no new rental stores currently planned, while five stores are scheduled for closure. The accounts from these five locations will be combined with nearby stores. The rental division is exploring the possibility of opening some stand-alone super centres in key locations to help move excess idle inventory.

A majority of the rental stores are located within The Brick or United Furniture locations which are part of The Brick Group. In the third quarter of fiscal 2006, The Brick Group announced that it will be expanding its principal banner, The Brick, by converting a number of its existing United Furniture locations to Brick stores. The Company anticipates that the impact of this change will be positive for the rental division.

Rental revenue for fiscal 2006 almost doubled to $24.1 million, compared to $12.9 million in the prior year. The strong revenue growth was due the Company's continued store expansion program and an increase in same store sales. In fiscal 2006, the 35 rental stores open since the beginning of fiscal 2005, generated average same store sales of $411,000, an increase of 26% over $326,000 in the prior year. While there was growth in same store sales in each quarter over the same period in the prior year, there was a decrease in the fourth quarter compared to the third quarter of fiscal 2006. The decrease reflects the impact of increased restrictions placed on the purchase of new rental assets and a focus on improving the quality of customers, which is expected to result in lower delinquencies and rental asset charge-offs.

The following table summarizes the average revenue generated by rental stores in the fourth quarter of fiscal 2006 based on the age of the stores as at June 30, 2006.

Table – Average Rental Revenue for Q4 2006

	# of Stores	Average Revenue
Less than 1 year	14	$ 33,000
1 – 2 years	45	53,000
Over 2 years	33	100,000
	92	$ 67,000

The above table shows that there is significant potential to increase revenues, and ultimately earnings, through the improved performance of stores less than two years old. While the average revenues generated by stores older than two years are good, management has identified a number of these stores that are performing below expectations. Action plans have been developed for these stores and improved performance is expected over the upcoming year.

Expenses in the rental segment improved to 73% of rental revenue in fiscal 2006, compared to 82% in the prior year. The improvement reflects the maturation of existing stores. As stores mature and same store sales improve, this percentage is expected to further improve. Rental asset amortization for fiscal 2006 totalled $10.6 million (44% of rental revenue), compared to $4.8 million (37% of rental revenue) in the prior year. The increased rental amortization reflects continued growth in the rental business, while the percentage increase was due to higher charge-offs and increased early payouts which have a lower margin.

In the fourth quarter of fiscal 2006 the Company announced Mr. Bill Johnson as the new President and Chief Operating Officer of the rental division. Mr. Johnson, for the past ten years, was the Executive Vice President and Chief Financial Officer of the largest merchandise rental company in Canada.

Liquidity and Capital Resources

During fiscal 2006, the Company's cash and cash equivalents decreased by $3.0 million to $12.9 million as at June 30, 2006. The decrease reflects cash flow from operations (earnings plus items not affecting cash, including amortization, stock-based compensation and future income taxes) of $29.2 million being more than offset by a $2.5 million decrease in accounts payable and accrued liabilities, a $3.8 million reduction in income taxes payable, the repayment of $3.0 million of subordinated debt, an increase in rental assets of $12.5 million, capital expenditures of $8.1 million and two business acquisitions totalling $1.6 million.

The Company's negative working capital position at year end improved to $2.0 million, from $5.8 million at June 30, 2005. The Company has historically operated in a negative working capital position and expects to meet its ongoing financial obligations through cash flow from operations. With the focus on the Company's business strategy and continuing maturity of existing stores, operating cash flow is expected to continue to improve. During the last half of fiscal 2006 the Company reduced its store expansion program and the purchase of new rental assets in an effort to improve cash flow. Prior to the implementation of these changes the Company saw its cash position decrease from $15.8 million at June 30, 2005 to $7.2 million at December 31, 2005. Subsequent to the changes, the cash position steadily improved over the last half of the year to $12.9 million.

Contractual Obligations

The Company's contractual obligations over the next five years and thereafter are summarized in the table below. For additional information, see Notes 9, 10 and 13 (a) of the Company's audited consolidated financial statements for the year ended June 30, 2006.

Table – Contractual Obligations

	1 Year	2 Years	3 Years	4 Years	5 Years and >	Total
Obligation under capital leases	$ 171,755	$ 101,835	$ 332	$ –	$ –	$ 273,922
Operating leases	6,176,422	5,710,394	4,755,590	2,899,033	1,948,614	21,490,053
	$ 6,348,177	$ 5,812,229	$ 4,755,922	$ 2,899,033	$ 1,948,614	$ 21,763,975

Summary of Quarterly Results and Fourth Quarter

The financial results for each of the last eight quarters are summarized in the following table. In general, the Company's results reflect a pattern of growth. In the fourth quarter of 2005, there was significant growth in stores in operation, revenues and expenses due to the acquisition of 99 Instaloans locations on April 22, 2005. In the second half of fiscal 2006, there was a decrease in brokerage revenue over prior periods due to the heightened awareness of the impact of lender loan losses, which is discussed under the Operating Segment Review section of this MD&A.

Table – Quarterly Financial Results*

(thousands of dollars, except earnings per share and no. of stores figures)

		2006				2005			
		Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Consolidated Results									
Total operations	*No. of stores*	***430***	***425***	***416***	***384***	*361*	*227*	*195*	*171*
Revenue		**$ 37,631**	**$ 38,022**	**$ 39,230**	**$ 39,286**	$ 32,062	$ 18,816	$ 15,128	$ 10,767
Expenses		**23,819**	**23,283**	**23,882**	**21,257**	19,594	11,688	9,935	7,839
Retention payments		**3,615**	**6,187**	**6,917**	**7,843**	8,948	792	368	193
Rental asset amortization		**3,125**	**2,905**	**2,543**	**2,018**	1,848	1,263	950	766
Other amortization		**1,175**	**1,158**	**1,040**	**915**	1,104	276	217	190
EBITA**		**7,369**	**5,895**	**6,347**	**8,609**	1,896	5,189	4,004	2,183
Net income		**3,607**	**2,805**	**3,005**	**4,543**	144	3,099	2,357	1,196
Basic earnings per share		**0.18**	**0.14**	**0.15**	**0.22**	0.01	0.18	0.15	0.07
Diluted earnings per share		**$ 0.18**	**$ 0.14**	**$ 0.15**	**$ 0.21**	$ 0.01	$ 0.17	$ 0.14	$ 0.07
Segmented Results									
Brokerage	*No. of stores*	***338***	***332***	***322***	***298***	*277*	*158*	*142*	*122*
Revenues		**$ 31,448**	**$ 31,108**	**$ 33,488**	**$ 34,018**	$ 28,290	$ 15,057	$ 12,162	$ 8,382
Expense		**18,810**	**18,272**	**18,957**	**16,585**	16,133	8,367	7,179	5,440
Retention payments		**3,615**	**6,187**	**6,917**	**7,843**	8,948	792	368	193
Other amortization		**862**	**847**	**744**	**634**	708	168	140	120
EBITA**		**9,032**	**6,653**	**7,619**	**9,597**	3,233	5,891	4,622	2,757
Net income		**$ 5,020**	**$ 3,636**	**$ 4,282**	**$ 5,620**	$ 1,340	$ 3,706	$ 2,876	$ 1,728
Rental	*No. of stores*	***92***	***93***	***94***	***86***	*84*	*69*	*53*	*49*
Revenues		**$ 6,183**	**$ 6,914**	**$ 5,742**	**$ 5,268**	$ 3,772	$ 3,759	$ 2,966	$ 2,385
Expenses		**4,617**	**4,724**	**4,252**	**3,967**	3,419	2,901	2,334	1,908
Rental asset amortization		**3,125**	**2,905**	**2,543**	**2,018**	1,848	1,263	950	766
Other amortization		**203**	**210**	**198**	**186**	239	79	54	48
EBITA**		**(1,558)**	**(708)**	**(1,052)**	**(717)**	(1,499)	(404)	(318)	(283)
Net loss		**$ (1,127)**	**$ (587)**	**$ (770)**	**$ (575)**	$ (1,078)	$ (318)	$ (239)	$ (210)
Corporate									
Expenses		**$ 392**	**$ 287**	**$ 673**	**$ 705**	$ 42	$ 420	$ 422	$ 491
Other amortization		**110**	**101**	**98**	**95**	157	29	23	22
EBITA**		**(105)**	**(50)**	**(220)**	**(271)**	162	(298)	(300)	(291)
Net loss		**$ (286)**	**$ (244)**	**$ (507)**	**$ (502)**	$ (119)	$ (289)	$ (280)	$ (322)

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

** EBITA – earnings before interest, income taxes, stock-based compensation, amortization of capital and intangible assets.

Net income for the fourth quarter ended June 30, 2006 was $3.6 million compared to $144,000 in the same quarter last year and diluted earnings per share were $0.18 ($0.18 basic) compared to $0.01 per share ($0.01 basic). The increased fourth quarter earnings resulted from the Company's continued store expansion program and lower retention payments. The results also reflect increased earnings in the brokerage division, partially offset by higher losses in the rental division.

Revenue totalled $37.6 million in the fourth quarter, an increase of 17% over $32.1 million in the same period last year. The increase was due to the Company's total store count increasing by 69 over the past year, including five additional stores in the fourth quarter. In the quarter, six new brokerage stores were opened while one rental centre was closed.

Expenses for the fourth quarter increased to $23.8 million from $19.6 million in the same period last year due to the increased number of stores in operation. The increase was also due to costs associated with operational and corporate infrastructure enhancements which are expected to support the Company's recent and future growth. As a percentage of total revenues, expenses increased to 63% in the quarter from 61% in the fourth quarter last year. Retention payments in the fourth quarter totalled $3.6 million, compared to $8.9 million in the same quarter last year. The retention payments for the fourth quarter last year were higher due to management developing a better awareness of the impact of a no rollover policy implemented in January 2005, while the payments this quarter reflect continued improvements to the Company's processes and controls. Amortization of rental assets increased to $3.1 million for the quarter ended June 30, 2006 compared to $1.8 million in the same quarter last year with the increase directly related to growth in rental revenue. Amortization of capital and intangible assets was relatively consistent with the fourth quarter last year at $1.2 million due to the prior quarter including approximately $590,000 of increased amortization which resulted from changes in the estimated useful life of most capital assets effective April 1, 2005.

Related Party Transactions

A company, in which a Director of the Company is a partner, has provided consulting services to the Company. Selling, general and administrative expense includes $93,666 (2005 – $21,646) relating to these services for the period. These transactions are subject to normal trade terms and are measured at the actual transaction amount.

Contractual Business Arrangement

The Company, through its subsidiary, Insta-rent Corporation, has entered into license agreements with The Brick Warehouse LP and its subsidiary United Furniture Warehouse LP (vendors). The license agreements were entered into on October 1, 2004 and are for a term of five years, and at the end of each term the agreements shall automatically renew for a further five years unless terminated by one of the parties. Pursuant to these agreements, a majority of the Company's rental operations are located in the vendor's locations and all rental assets are purchased from the vendors. The vendors are currently the sole supplier of rental assets purchased by the Company. Accordingly, the absence of these arrangements could have a material impact on the Company's rental operations.

As part of the agreements, the Company has agreed to pay a license fee equal to fifty percent of each stores aggregate operating income. Any losses incurred at a particular location are carried forward into future periods and netted against any future store profits. The benefit of these aggregate store losses are recognized when realized.

Subsequent Events

Subsequent to the year end, the Company approved a plan to either sell the rental division or spin it off into a separate public company. In conjunction with the plan, proforma financial information has been included to reflect the impact of the sale or spin-off as if it had been approved prior to June 30, 2006 and therefore treated as an asset held for sale.

Table – Proforma Financial Information

(thousands of dollars)

Proforma Statement of Operations		
Revenue	$	130,061
Expenses		99,243
Amortization		3,491
Total expenses and amortization		102,734
Income from continuing operations before income taxes		27,327
Provision for income taxes		10,309
Income from continuing operations		17,019
Loss from assets held for sale, net of tax		(3,059)
Net income as reported	$	13,960
Proforma Earnings Per Share		
Continuing operations:		
Basic earnings per share	$	0.83
Diluted earnings per share	$	0.82
As reported:		
Basic earnings (loss) per share	$	0.68
Diluted earnings (loss) per share	$	0.67
Proforma Balance Sheet		
Assets		
Current assets		
Related to continuing operations	$	37,018
Assets held for sale		18,271
Long-term assets		56,045
	$	111,334
Liabilities		
Current liabilities		
Related to continuing operations	$	14,232
Liabilities held for sale		25,084
Long-term liabilities		1,717
		41,033
Shareholders' equity		
Share capital		48,588
Contributed surplus		2,171
Net investment in assets held for sale		(6,813)
Retained Earnings		26,355
		70,301
	$	111,334

Included in current assets related to continuing operations and liabilities for sale is a $20.9 million intercompany balance.

Legal Proceedings and Other Contingencies

The Company has been served with Statements of Claim issued in Alberta, British Columbia and Ontario alleging that the Company is in breach of s. 347 of the Criminal Code (the interest rate provision) and certain provincial consumer protection statutes. The claim in British Columbia was certified as a class proceeding against the Company and its subsidiary, The Cash Store Inc., with respect to British Columbia residents, and the certification decision was affirmed by the British Columbia Court of Appeal in fiscal 2006. The Ontario claim was certified against The Cash Store Inc., but not against the Company, in fiscal 2006 with respect to residents of Canada other than residents of British Columbia and Alberta. The certification motion in the Alberta action is pending. The Company believes that it conducts its business in accordance with applicable law and is defending each of the actions vigorously. However, the likelihood of loss if any is not determinable. Accordingly, no provision has been made for these actions in the accounts. The Company is also involved in other claims related to the normal course of operations. Management believes that it has adequately provided for these claims.

The Company's brokerage subsidiaries, The Cash Store Inc. and 1152919 Alberta Ltd. (operating as Instaloans) act as brokers on behalf of consumers seeking short term advances. Neither the Company nor any of its subsidiaries fund the short term advances; all funding 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; accordingly they are not included on the Company's balance sheet. To facilitate the short term advance business written agreements have been entered into with a number of third party lenders that are prepared to consider lending to brokerage customers. Pursuant to these agreements, services related to the collection of documents and information as well as loan collection services are provided to the lenders. The agreements also provide that the third party lenders are responsible for losses suffered as a result of uncollectible loans provided the required duties under the terms of the agreements have been properly performed by the brokerage subsidiaries. In the event the duties are not properly performed and the lenders make a claim as required under the agreement, the brokerage subsidiaries may be liable to the lenders for losses they have incurred. The balance of the third party lenders loan portfolio totalled approximately $56 million as at June 30, 2006 (2005 - $50 million). Risk is managed through compliance with the loan limits, procedures and selection criteria established by the lenders.

Critical Accounting Estimates

The Company's accounting policies are integral to understanding and interpreting the financial results reported in this MD&A. The significant accounting policies used in preparing the Company's consolidated financial statements are summarized in Note 1 to those statements which are available on SEDAR at www.sedar.com. Certain policies included in Note 1 are considered to be particularly important to the presentation of the Company's financial position and results of operations, because they require management to make difficult, complex or subjective judgments and estimates, often as a result of matters that are inherently uncertain, which may result in materially different results under different assumptions and conditions. The following is a discussion of those critical accounting estimates. These estimates are adjusted in the normal course to reflect changing underlying circumstances. The impact and any associated risks related to these critical accounting estimates on the Company's business may also be discussed elsewhere in this MD&A.

Revenue Recognition

The Company generates broker fees from the brokering of short-term loans for customers with third party lenders. The Company recognizes revenue once all services have been rendered, including when the loan has been received by the customer from the third party lender and the broker fee has been received from the customer.

The Company recognizes revenue in its rental segment once delivery has occurred, evidence of arrangement exists, the fee is fixed and determinable and collection is probable. Merchandise is rented to customers pursuant to rental-purchase agreements which provide for weekly or monthly rental terms with non-refundable rental payments. The rental agreements may be terminated at any time by the customer without further obligation or cost upon return of the merchandise. Revenue from rental agreements is recognized over the rental term. At the end of each weekly or monthly period, the customer has the option of renewing the agreement for an additional period. Other revenue from various services and charges to rental customers include liability waiver, processing and reinstatement fees, which are recognized as collected.

Retention Payments

The Company, through The Cash Store and Instaloans banners, acts as a broker on behalf of consumers seeking short term advances. The Company does not fund the short term advances; all funding 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; accordingly they are not included on the Company's balance sheet. To facilitate the short term advance business the Company has entered into written agreements with a number of third party lenders that are prepared to consider lending to the Company's customers. Pursuant to these agreements, the Company provides 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 as a result of uncollectible loans provided the Company has properly performed its duties under the terms of the agreements. In the event the Company does not properly perform its duties and the lenders make a claim as required under the agreement, it may be liable to the lenders for losses they have incurred. A liability is recorded when it is determined that the Company has a liability under the agreement. Effective April 1, 2006, the Company's board of directors approved a resolution which authorizes management to pay a maximum amount of retention payments per quarter to third party lenders in consideration to those lenders that continue to fund advances to the Company's customers. Accordingly, the Company records retention payments in the period when a commitment is made to a lender pursuant to the resolution approved by the board of directors.

Amortization Policies and Useful Lives

The Company depreciates the cost of rental assets, capital assets and intangible assets over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the asset from a revenue producing perspective. If in-service period change happens more quickly than the Company has anticipated, the Company might have to shorten the estimated life of certain rental, capital or intangible assets, which could result in higher depreciation expense in future periods or an impairment charge to write down the value of rental, capital or intangible assets.

Goodwill

With the acquisition of the assets and certain liabilities of Instaloans on April 22, 2005 the Company has a significant amount of goodwill on its balance sheet. The Company has performed a goodwill impairment test as at April 1, 2006 and will continue to due so on an annual basis and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. Impairment is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. The fair values of the reporting units are estimated using a combination of a market approach and discounted cash flows. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections at the reporting unit level, and discount rates. As a result, future goodwill impairment tests could result in significant impairment charges.

Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The Company recognizes liabilities for contingencies and commitments when a loss is probable and capable of being reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of an additional liability.

Income Tax Estimates and Future Income Taxes

As part of the process of preparing the Company's consolidated financial statements, management is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating the Company's actual current tax exposure together with assessing temporary differences resulting from differing treatment of items. These differences result in future income tax assets and liabilities, which are included within the Company's balance sheet. The Company must then assess the likelihood that future tax assets will be recovered from future taxable income, and if the Company assesses that recovery is not likely, a valuation allowance must be established. Management judgment is required in determining the Company's provision for income taxes, future tax assets and liabilities and any valuation allowance that may be deemed necessary.

Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As of June 30, 2006, an evaluation was conducted, under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined under Multilateral Instrument 52-109. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that are filed or submitted are recorded, processed, summarized and reported within the time periods specified in applicable Canadian securities legislation.

Management has evaluated whether there were changes in the Company's internal controls over financial reporting during the most recent interim period ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. No such changes were identified through management's evaluation.

Outstanding Share Data

As at August 31, 2006, the Company had 20,464,362 common shares outstanding. There were also options to purchase 1,128,750 common shares, which if exercised would provide the Company with proceeds of $6.3 million.

management's responsibility for financial statements

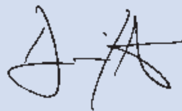
The accompanying consolidated financial statements and the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Rentcash Inc. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for the financial statements through its Audit Committee. This Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and free access to the Audit Committee.

The financial statements have been subject to an audit by the Company's external auditors, KPMG LLP, in accordance with generally accepted auditing standards on behalf of the shareholders.

Gordon J. Reykdal,
Chairman and
Chief Executive Officer



Darin R. Coutu, CA,
Chief Financial Officer

auditors' report to shareholders

We have audited the consolidated balance sheets of Rentcash Inc. as at June 30, 2006 and 2005 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Edmonton, Canada
August 23, 2006

consolidated statements of operations

Year Ended June 30

	2006	2005
Revenue		
Broker fees	$ 130,061,437	$ 63,890,608
Rentals	24,107,516	12,880,941
	154,168,953	76,771,549
Expenses		
Salaries and benefits	50,524,833	30,061,503
Selling, general and administrative	26,422,888	11,506,741
Retention payments	24,562,414	10,301,163
Rent	8,481,417	4,411,857
Advertising and promotion	5,366,359	2,391,007
Stock-based compensation	1,372,897	155,406
Interest	72,107	530,701
	116,802,915	59,358,378
Amortization		
Rental assets	10,591,356	4,827,176
Capital assets	3,758,772	1,607,458
Intangible assets	528,466	179,427
	14,878,594	6,614,061
Total expenses and amortization	131,681,509	65,972,439
Income before income taxes	22,487,444	10,799,110
Provision for income taxes - Note 7		
Current	9,568,000	5,700,000
Future (reduction)	(1,040,399)	(1,697,028)
	8,527,601	4,002,972
Net income	$ 13,959,843	$ 6,796,138
Weighted average number of shares outstanding		
Basic	20,431,847	17,183,697
Diluted	20,849,943	17,833,295
Earnings per share		
Basic earnings per share	$ 0.68	$ 0.40
Diluted earnings per share	0.67	0.38

See accompanying notes to consolidated financial statements.

consolidated statements of retained earnings

Year Ended June 30

	2006	2005
Retained earnings (deficit), beginning of year	$ 5,581,237	$ (1,214,901)
Net income for the year	13,959,843	6,796,138
Retained earnings, end of year	$ 19,541,080	$ 5,581,237

See accompanying notes to consolidated financial statements.

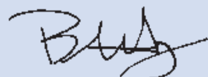
consolidated balance sheets

As at June 30

	2006	2005
Assets		
Current assets		
Cash and cash equivalents	$ 12,867,741	$ 15,841,067
Accounts receivable	2,491,232	1,628,192
Prepaid expenses and other	1,476,541	1,001,073
	16,835,514	18,470,332
Deposits and other	665,717	706,962
Rental assets - Note 4	10,713,795	8,768,493
Capital assets - Note 5	16,391,935	12,011,063
Intangible assets - Note 6	5,954,326	6,421,018
Future income taxes - Note 7	5,740,000	3,859,601
Goodwill - Note 3 (a)	34,123,364	32,603,398
	90,424,651	82,840,867
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities - Note 8	14,134,735	17,301,061
Income taxes payable	2,647,006	5,700,000
Deferred revenue	1,210,249	768,663
Current portion deferred lease inducement	242,942	190,646
Current portion of obligation under capital leases - Note 9	171,755	188,701
Current portion of promissory notes payable - Note 10	–	74,727
	18,406,687	24,223,797
Deferred lease inducement	725,113	603,281
Obligation under capital leases - Note 9	102,167	249,175
Subordinated debt payable - Note 10	–	3,000,000
Future income taxes - Note 7	890,000	50,000
	20,123,967	28,126,253
Shareholders' equity		
Share capital - Note 11	48,588,131	48,252,332
Contributed surplus - Note 12	2,171,473	881,045
Retained earnings	19,541,080	5,581,237
	70,300,684	54,714,614
	90,424,651	82,840,867

Commitments - Note 13
Subsequent Events - Notes 13 (b) and 20
Contingencies - Note 16

See accompanying notes to consolidated financial statements.



Brian W. Hesje
Director

Gordon J. Reykdal
Director

consolidated statements of cash flows

Year Ended June 30

	2006	2005
Cash provided by (used in):		
Operating activities		
Net income for the year	$ 13,959,843	$ 6,796,138
Items not affecting cash:		
Amortization of rental assets	10,591,356	4,827,176
Amortization of capital assets	3,758,772	1,607,458
Amortization of intangible assets	528,466	179,427
Stock-based compensation	1,372,897	155,406
Future income taxes	(1,040,399)	(1,697,028)
	29,170,935	11,868,577
Change in non-cash operating items:		
Accounts receivable	(863,040)	(1,255,187)
Prepaid expenses, deposits and other	(434,223)	(679,303)
Rental assets	(12,536,658)	(10,179,667)
Accounts payable and accrued liabilities	(3,166,326)	12,824,600
Income taxes payable	(3,052,994)	5,607,000
Deferred revenue	441,586	768,663
Deferred lease inducement	174,128	419,646
	9,733,408	19,374,329
Investing activities		
Restricted cash	-	423,188
Business acquisitions, net of cash and working capital acquired - Note 3 (a)	(1,677,739)	(39,967,855)
Purchase of capital assets	(8,043,644)	(6,837,809)
	(9,721,383)	(46,382,476)
Financing activities		
Repayment of capital leases	(163,954)	(158,880)
Repayment of term bank loans	-	(410,360)
Repayment of promissory notes	(74,727)	(394,544)
Proceeds from (repayment of) subordinated debt	(3,000,000)	1,000,000
Proceeds from issuance of share capital, net of related costs and future benefits - Note 11 (a)	253,330	43,228,937
	(2,985,351)	43,265,153
Increase (decrease) in cash and cash equivalents	(2,973,326)	16,257,006
Cash and cash equivalents (bank indebtedness), beginning of year	15,841,067	(415,939)
Cash and cash equivalents, end of year	$ 12,867,741	$ 15,841,067
Supplemental cash flow information:		
Interest paid	$ 72,107	$ 530,701
Interest received	66,538	84,014
Income taxes paid	13,314,216	93,000

See accompanying notes to consolidated financial statements.

notes to the consolidated financial statements

For the Years Ended June 30, 2006 and 2005

Nature of Business

Rentcash Inc. (the "Company") operates three store banners. The Cash Store and Instaloans act as brokers to facilitate payday advance services to income earning consumers. Insta-rent rents brand name furniture, appliances, electronics and computers, with or without an option to purchase. As at June 30, 2006, the Company operated 338 (2005 – 277) brokerage stores and 92 (2005 – 84) rent-to-own stores across Canada.

1. Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries, The Cash Store Inc., 1152919 Alberta Ltd. (O/A Instaloans), 1152931 Alberta Ltd. (O/A The Mortgage Company), Insta-rent Corporation and Tembo Telecom Inc. All significant inter-company balances and transactions have been eliminated.

(b) Business Combinations

Business combinations are accounted for using the purchase method of accounting. The purchase price for an acquisition is allocated to the related net assets based on their estimated fair values. The excess of the purchase price over the fair value of the net assets acquired is attributed to goodwill.

(c) Use of Estimates

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 rental assets, capital assets, future tax assets, goodwill and intangible assets and the amortization periods of rental assets, capital assets and intangible assets are the more significant items which reflect estimates in these financial statements.

(d) Revenue Recognition

Fees arising from the brokering of short-term loans for customers are recognized once all services have been rendered, all loans amounts have been received by the customers and the fees are received.

The Company recognizes rental revenue once delivery has occurred, evidence of arrangement exists, the fee is fixed and determinable and collection is probable. Merchandise is rented to customers pursuant to rental-purchase agreements which provide for weekly or monthly rental terms with non-refundable rental payments. The rental agreements may be terminated at any time by the customer without further obligation or cost upon return of the merchandise. Revenue from rental agreements is recognized over the rental term. At the end of each weekly or monthly period, the customer has the option of renewing the agreement for an additional period. Other revenue from various services and charges to rental customers include liability waiver, processing and reinstatement fees, which are recognized as collected.

(e) Retention Payments (formerly Administrative Allowance)

The Company, through The Cash Store and Instaloans banners, acts as a broker on behalf of consumers seeking short term advances. The Company does not fund the short term advances; all funding 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; accordingly they are not included on the Company’s balance sheet.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

1. Significant Accounting Policies (continued)

(e) Retention Payments (formerly Administrative Allowance) (continued)

To facilitate the short term advance business the Company has entered into written agreements with a number of third party lenders that are prepared to consider lending to the Company's customers. Pursuant to these agreements, the Company provides 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 the Company has properly performed its duties under the terms of the agreements. In the event the Company does not properly perform its duties and the lenders make a claim as required under the agreement, it may be liable to the lenders for losses they have incurred. A liability is recorded when it is determined that the Company has a liability under the agreement.

Effective April 1, 2006, the Company's board of directors approved a resolution which authorizes management to pay a maximum amount of retention payments per quarter to third party lenders as consideration to those lenders that continue to be willing to fund advances to the Company's customers. While the 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 experienced by the third party lenders. 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.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on account and bank overdrafts, net of outstanding cheques, investments in money market instruments and term deposits with maturity of less than 90 days.

(g) Rental Assets

Rental assets consists primarily of residential furniture, consumer electronics, appliances, computers and other merchandise. Rental assets on rent are recorded at the lower of amortized cost and net realizable value. Rental assets are amortized on a straightline basis over thirty-six (36) months starting in the month purchased. All rental assets are available for rental or sale.

(h) Capital Assets

Capital assets are recorded at cost. Amortization is recorded using the rates and methods outlined in the table below.

	Rate	Method
Computer hardware	25%	Straight-line
Computer software	20%	Straight-line
Fixtures and equipment	20%	Straight-line
Signs	20%	Straight-line
Vehicles	20%	Straight-line

Leasehold improvements are amortized based on the straight-line method over the shorter of the lease term and the estimated useful life of the asset.

(i) Intangible Assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

1. Significant Accounting Policies (continued)

(i) Intangible Assets (continued)

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Customer list, contracts and relationships	Straight-line – 3 years
Non-compete agreements	Term of the agreements
Favourable and unfavourable leases	Term of leases
Brand name	Indefinite life

Brand name is not amortized but instead is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

(j) Goodwill

Goodwill represents the excess purchase price paid by the Company over the fair value of tangible and identifiable intangible assets and liabilities acquired. Goodwill is not amortized but instead tested for impairment in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the reporting unit exceeds the fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

When the carrying amount of the reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(k) Deferred Lease Inducement

The Company has received various inducements to lease space for its brokerage stores. The inducements are amortized over the remaining terms of the respective leases and recorded as a reduction to rent expense.

(l) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and measured using the enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse. A valuation allowance is recorded against any future income tax asset if it is not likely that the asset will be fully realized.

(m) Stock Based Compensation

The Company has a stock based compensation plan, which described in Note 11 (b). All stock based compensation awards and grants on or after July 1, 2002 are measured at the fair value at the date of grant and recognized over the award's vesting period as an expense and an increase in contributed surplus. When options are exercised, the proceeds received and the related amount in contributed surplus are credited to share capital. If stock or stock options are repurchased, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings. No expense has been recognized for stock options granted prior to July 1, 2002.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

1. Significant Accounting Policies (continued)

(n) Earnings Per Share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during the year. Shares issued during the year are weighted for the portion of the year that they are outstanding in accordance with the treasury stock method. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(o) Asset Retirement Obligations

Asset retirement obligations are recognized in the period in which the Company incurs a legal obligation associated to the retirement of an asset. The obligation is initially measured at fair value and subsequently adjusted for the passage of time, using a credit adjusted risk-free interest rate, and any changes in the underlying cash flows. Costs are to be capitalized as part of the carrying value of the related asset and depreciated over its remaining useful life.

(p) Accounting for the Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed by sale are reported at the lower of carrying amount or fair value less costs to sell.

2. Future Accounting Changes

Comprehensive Income

In January 2005, the Accounting Standards Board ("AcSB") issued new standards for the reporting and disclosure of comprehensive income. Unrealized gains and losses on financial assets that will be held as available for sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of cash flow hedging instruments, will be recorded in a Consolidated Statement of Other Comprehensive Income until recognized in the Consolidated Statement of Income. Other Comprehensive Income will form part of shareholders' equity. The impact of implementing these new standards is not yet determinable as it is dependent on our outstanding positions, hedging strategies and market volatility at the time of transaction. This standard is effective for the Company on July 1, 2007.

Financial Instruments

In January 2005, the AcSB issued new standards for the recognition and measurement of financial instruments. Under the new standard, all financial instruments will be classified as one of the following: held-to-maturity, loans and receivables, held for trading or available-for-sale. Financial assets and liabilities held for trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for trading, will be measured at amortized cost. Available for sale instruments will be measure at fair value with gains and losses recognized in other comprehensive income. The standard also permits re-designation of any financial instrument as held-for trading upon initial recognition. These standards are effective for the Company on July 1, 2007.

The Company has not yet assessed the impact if any, as a result of adopting these new standards.

3. Business Combinations

(a) Fiscal 2006 Acquisitions

On July 29, 2005, the Company acquired all the business assets of Payday Financial Group of Companies ("Payday Financial") for cash consideration of $1,316,202. Payday Financial operates in the payday and short-term loan industry. On November 1, 2005, the Company acquired all the outstanding shares of Tembo Telecom Inc ("Tembo") for cash consideration of $480,529 (includes a working capital adjustment). Tembo operates in the telephone reconnect business. The operations of both acquisitions are included as part of the Company's Brokerage segment. The combined purchase price allocation for the fiscal 2006 acquisitions is detailed in the table below.

Net assets acquired at assigned values	
Cash	$ 145,793
Working capital	(26,801)
Capital assets	96,000
Customer contracts, relationships, lists and other	41,773
Non-compete agreement	20,000
Goodwill	1,519,966
	$ 1,796,731

(b) Fiscal 2005 Acquisitions

On April 22, 2005, the Company acquired the business assets and assumed certain liabilities of the Instaloans Group of Companies ("Instaloans") for cash consideration of $39,756,456. Instaloans operates in the payday and short-term loan industry and was established in 1995 to provide alternate sources of financial solutions to individuals. Instaloans has 99 storefronts across Canada, the majority of which are in Western Canada. On May 6, 2005, the Company also acquired the business assets of Premiere Financial group of Companies ("Premiere") for cash consideration of $211,399. Premiere also operated in the payday and short term loan industry, with 3 storefronts in Alberta. The operations of both acquisitions are included as part of the Company's Brokerage segment. The combined purchase price allocation for the fiscal 2005 acquisitions is detailed in the table below.

Net assets acquired at assigned values	
Prepaid expenses	$ 493,076
Capital assets	1,311,276
Customer contracts, relationships, lists and other	628,500
Non-compete agreement	154,000
Favourable leases	250,000
Brand name	5,300,000
Goodwill	32,416,279
Accrued liabilities	(424,276)
Unfavourable leases	(161,000)
	$ 39,967,855

4. Rental Assets

	2006	2005
Rental assets	**$ 15,957,096**	$ 11,432,831
Accumulated amortization	**(5,243,301)**	(2,664,338)
	$ 10,713,795	$ 8,768,493

Rental asset amortization expense includes $5,925,122 (2005 – $2,320,158) which is made up of the net book value of assets sold through the normal course of business and assets that have been charged off as stolen, lost or no longer suitable for rent.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

5. Capital Assets

	2006		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 882,141	$ 509,937	$ 372,204
Computer software	343,740	171,665	172,075
Fixtures, furniture and equipment	5,111,620	1,415,602	3,696,018
Leasehold improvements	11,967,830	2,915,661	9,052,169
Signs	4,193,226	1,096,205	3,097,021
Vehicles	7,400	4,952	2,448
	$ 22,505,957	$ 6,114,022	$ 16,391,935

	2005		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 800,062	$ 299,631	$ 500,431
Computer software	315,417	105,657	209,760
Fixtures, furniture and equipment	3,874,623	524,337	3,350,286
Leasehold improvements	6,818,599	1,060,824	5,757,775
Signs	2,609,843	420,960	2,188,883
Vehicles	7,400	3,472	3,928
	$ 14,425,944	$ 2,414,881	$ 12,011,063

Assets under capital lease included above:

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 67,074	$ 44,090	$ 67,074	$ 27,321
Fixtures and equipment	574,448	192,751	574,448	77,862
Leasehold improvements	7,227	3,252	7,227	1,806
Signs	107,665	47,507	107,665	25,974
	$ 756,414	$ 287,600	$ 756,414	$ 132,963

During the year, capital assets were acquired at an aggregate cost of $8,043,644 (2005 – $6,837,809) of which $nil (2005 – $297,522) were acquired by means of capital leases.

Amortization of capital assets includes $154,637 (2005 - $58,385) relating to assets under capital lease.

6. Intangible Assets

	2006		
	Cost	Accumulated Amortization	Net Book Value
Customer contracts, relationships, lists and other	$ 1,151,466	$ 689,651	$ 461,815
Non-compete agreement	209,000	69,483	139,517
Favourable and unfavourable leases	89,000	36,006	52,994
Brand name	5,300,000	–	5,300,000
	$ 6,749,466	$ 795,140	$ 5,954,326

	2005		
	Cost	Accumulated Amortization	Net Book Value
Customer contracts, relationships, lists and other	$ 1,107,753	$ 248,006	$ 859,747
Non-compete agreement	189,000	10,958	178,042
Favourable and unfavourable leases	89,000	5,771	83,229
Brand name	5,300,000	–	5,300,000
	$ 6,685,753	$ 264,735	$ 6,421,018

7. Income Taxes

(a) Provision for Income Taxes

The income tax provision differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 35.0% (2005 – 35.5%) to income from continuing operations as a result of the following:

	2006	2005
Income before income taxes	$ 22,487,444	$ 10,799,110
Computed tax expense at statutory income tax rates	7,870,606	3,833,684
Change in enacted tax rates	176,000	20,607
Stock-based compensation	481,000	55,000
Permanent differences	41,000	35,000
Other	(41,004)	58,681
Total Income Tax Provision	$ 8,527,601	$ 4,002,972

(b) Future Income Taxes

The tax effects that give rise to significant portions of the future income tax assets and liabilities are presented below:

	2006	2005
Future income tax assets:		
Non-capital losses carried forward	$ 12,915	$ 768,515
Rental, capital, intangible assets and goodwill – differences between net book value and undepreciated capital cost	4,763,085	1,036,748
Non-deductible accruals for tax purposes	–	744,338
Deferred lease inducements – differences between book value and tax value	349,000	282,000
Future tax benefit of share issue costs (netted against share issue costs)	615,000	1,028,000
	$ 5,740,000	$ 3,859,601
Future income tax liabilities:		
Rental, capital, intangible assets and goodwill – differences between net book value and undepreciated capital cost	$ (890,000)	$ (50,000)

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

7. Income Taxes (continued)

(b) Future Income Taxes (continued)

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Based upon projections for future taxable income, management believes it is more likely than not that the Company will realize the benefits of these deductible differences. The amount of the future tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

As at June 30, 2006, the Company had unused non-capital tax loss carry forwards available to reduce taxable income of its rental operations in future years as follows:

Year of Origin	Year of Expiry	Amount
2006	2016	$ 37,512

8. Accounts payable and accrued liabilities

	2006	2005
Trade account payable	$ 3,978,972	$ 5,362,610
Accrued liabilities	1,509,351	1,409,275
Accrued salaries and benefits	2,737,767	1,991,442
Amounts due to third party lenders	5,674,745	8,103,470
Other	233,900	434,264
	$ 14,134,735	$ 17,301,061

The amounts due to third party lenders reflects funds made available by lenders but not yet advanced to customers, any liability under the lending agreement as well as loan repayment and interest amounts collected from customers. Amounts due to third party lenders are non-interest bearing and unsecured.

9. Obligation Under Capital Leases

The Company has financed certain office furniture and equipment by entering into capital leasing arrangements

	2006		
	Aggregate Due	Less Imputed Interest	Net
Various leases – repayable in monthly instalments totalling $22,477 including interest ranging from 9.8 – 21.0%; due to mature in 2008; secured by leased assets with an aggregate carrying amount of $468,814	$ 303,495	$ 29,573	$ 273,922
Less current portion	190,297	18,542	171,755
	$ 113,198	$ 11,031	$ 102,167

	2005		
	Aggregate Due	Less Imputed Interest	Net
Various leases – repayable in monthly instalments totalling $22,477 including interest ranging from 9.8 – 21.0%; due to mature in 2008; secured by leased assets with an aggregate carrying amount of $623,451	$ 507,606	$ 69,730	$ 437,876
Less current portion	218,750	30,049	188,701
	$ 288,856	$ 39,681	$ 249,175

9. Obligation Under Capital Leases (continued)

The capital lease repayments are due as follows:

	Aggregate Due	Less Imputed Interest	Net
2007	$ 190,297	$ 18,542	$ 171,755
2008	112,829	10,994	101,835
2009	369	37	332
	$ 303,495	$ 29,573	$ 273,922

10. Term Debt

	2006	2005
Promissory note payable related to a fiscal 2004 business acquisition is repayable in monthly instalments of $24,909, without interest, due September 30, 2005 and secured by assets purchased.	$ –	$ 74,727
Total Promissory Notes Payable	–	74,727
Subordinated debt for store expansion and working capital, due December 2008, monthly payments payable at 12% interest per annum and is secured by a general security agreement.	–	3,000,000
	–	3,074,727
Less current portion	–	74,727
	$ –	$ 3,000,000

11. Share Capital

(a) Issued Share Capital

	2006		2005	
	Number of Shares	**$**	Number of Shares	$
Authorized:				
Unlimited common shares with no par value				
Issued:				
Balance, beginning of year	**20,282,697**	**$ 48,252,332**	14,693,612	$ 4,527,141
Cash consideration	–	–	4,985,000	45,858,000
Issue costs net of future tax benefits	–	–	–	(2,097,847)
Issue costs - warrants	–	–	–	(684,731)
Transfer from contributed surplus for stock options exercised (Note 12)	–	**82,469**	–	152,985
Options and warrants exercised	**181,665**	**253,330**	604,085	496,784
Balance, end of year	**20,464,362**	**$ 48,588,131**	20,282,697	$ 48,252,332

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

11. Share Capital (continued)

(b) Stock-based Compensation Plan

The Company's stock option plan provides senior employees, officers and directors an incentive to acquire an equity ownership interest in the Company over a period of time and, as a result, reinforces their attention on the long term interest of the Company and its shareholders. The current stock option plan limits the maximum number of options to 2,044,936 common shares. The maximum term of the options issued is ten years with the vesting period, unless the board determines otherwise, of one-third immediately and one-third for each of the next two years after grant. The grant price may not be lower than the market price as required by the TSX.

	2006		2005	
	Total Options for Shares	**Weighted Average Price**	Total Options for Shares	Weighted Average Price
Outstanding, beginning of year	**639,583**	**$ 1.10**	1,043,668	$ 0.77
Granted	**610,000**	**9.38**	200,000	2.00
Exercised	**(94,165)**	**0.85**	(604,085)	0.85
Forfeited	**(26,668)**	**3.52**	–	nil
Outstanding, end of year	**1,128,750**	**$ 5.54**	639,583	$ 1.10
Exercisable, end of year	**565,417**	**$ 2.99**	506,250	$ 0.86

At June 30, 2006, the range of exercise prices, the weighted average exercise price and weighted average remaining contractual life are as follows:

	Number Outstanding	Weighted Average Remaining Term	Weighted Average Exercise Price	Number Exercisable
Option Plan 2002	228,750	7 mos.	$ 0.60	228,750
Option Plan 2003	50,000	11 mos.	0.60	50,000
Option Plan 2004	100,000	29 mos.	1.20	100,000
Option Plan 2005	150,000	14 mos.	2.00	100,000
Option Plan 2006	600,000	45 mos.	9.44	86,667
	1,128,750	31 mos.	$ 5.53	565,417

The fair value of common share options is estimated at the grant date using the Black-Scholes pricing model based on the following weighted average assumptions:

	For the Year ended June 30, **2006**	2005
Risk free interest rate	**3.42% to 4.00%**	3.51%
Expected life (years)	**3 – 5**	3
Expected volatility	**74.66% to 81.77%**	101%
Expected dividends	**nil**	nil

The weighted average grant-date fair value of options granted was estimated at $5.64 (2005 - $1.27) per share.

11. Share Capital (continued)

(c) Warrants to outside agents

	2006			2005		
	Number of Warrants	Weighted Average Exercise Price		Number of Warrants	Weighted Average Exercise Price	
Balance, beginning of year	**210,400**	**$**	**6.16**	–		nil
Issued	–		**nil**	210,400	$	6.16
Exercised	**(87,500)**	**$**	**2.00**	–		nil
Expired	**(122,900)**	**$**	**6.40**	–		nil
Balance, end of year	–		**nil**	210,400	$	6.16
Exercisable for shares, end of year	–		**nil**	–	$	6.16

The fair value of the warrants was estimated on the date of issuance using the Black-Scholes Option Pricing Model, based on similar weighted average assumptions used for the stock-based compensation plan.

12. 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 11 (b). Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. When options are exercised, the fair-value amount in contributed surplus is credited to share capital.

		2006		2005
Balance at beginning of period, as previously stated	$	**881,045**	$	193,893
Agency warrants on private placement		–		684,731
Stock options exercised		**(82,469)**		(152,985)
Stock-based compensation expense		**1,372,897**		155,406
	$	**2,171,473**	$	881,045

13. Commitments

(a) Lease Commitments

The Company is committed to future minimum annual operating lease payments for office, store premises and equipment, which expire through 2011.

		Aggregate Lease Payments
2007	$	6,176,422
2008		5,710,394
2009		4,755,590
2010		2,899,033
2011 and thereafter		1,948,614
	$	21,490,053

In addition to the future minimum annual lease payments, the Company is responsible for its proportionate share of common area costs.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

13. Commitments (continued)

(b) New Store Openings and Additional Lease Commitments

Subsequent to the year-end, the Company has committed to leases for seven (7) additional Cash Store locations. The additional minimum annual lease payments required for the next five years are as follows:

	Additional Lease Payments	Aggregate Lease Payments
2007	$ 104,258	$ 6,280,680
2008	157,242	5,867,636
2009	157,242	4,912,832
2010	157,242	3,056,275
2011 and thereafter	170,773	2,119,387
	$ 746,757	$ 22,236,810

14. Related Party Transactions

A company, in which a Director of the Company is a partner, provided consulting services to the Company. Selling, general and administrative expense includes $93,666 (2005 – $21,646) relating to these services for the period. These transactions are subject to normal trade terms and are measured at the actual exchange amount.

15. Contractual Business Arrangement

The Company, through its subsidiary, Insta-rent Corporation, has entered into license agreements with The Brick Warehouse LP and its subsidiary United Furniture Warehouse LP (vendors). The license agreements were entered into on October 1, 2004 and are for a term of five years, and at the end of each term the agreements shall automatically renew for a further five years unless terminated by one of the parties. Pursuant to these agreements, a majority of the Company's rental operations are located in the vendor's locations. The vendors are currently the sole supplier of the rental assets purchased by the Company. Accordingly, the absence of these arrangements could have a material impact on the Company's rental operations. As part of the agreements, the Company has agreed to pay a license fee equal to fifty percent of each stores aggregate operating income. Any losses incurred at a particular location are carried forward into future periods and netted against any future store profits. The benefit of these aggregate store losses are recognized when realized.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

16. Contingencies

(a) Legal Proceedings

The Company has been served with Statements of Claim issued in Alberta, British Columbia and Ontario alleging that the Company is in breach of s. 347 of the Criminal Code (the interest rate provision) and certain provincial consumer protection statutes. The claim in British Columbia was certified as a class proceeding against the Company and its subsidiary, The Cash Store Inc., with respect to British Columbia residents, and the certification decision was affirmed by the British Columbia Court of Appeal in fiscal 2006. The Ontario claim was certified against The Cash Store Inc., but not against the Company, in fiscal 2006 with respect to residents of Canada other than residents of British Columbia and Alberta. The certification motion in the Alberta action is pending. The Company believes that it conducts its business in accordance with applicable law and is defending each of the actions vigorously. However, the likelihood of loss if any is not determinable. Accordingly, no provision has been made for these actions in the accounts.

At June 30, 2006 the Company was involved in other legal claims related to the normal course of operations. Management believes that it has adequately provided for these legal claims.

(b) Brokerage Operations

The Company's brokerage subsidiaries, The Cash Store Inc. and 1152919 Alberta Ltd. (operating as Instaloans) act as brokers on behalf of consumers seeking short term advances. Neither the Company nor any of its subsidiaries fund the short term advances; all funding 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; accordingly they are not included on the Company's balance sheet.

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

The balance of the third party lenders loan portfolio totalled approximately $56 million as at June 30, 2006 (2005 - $50 million). Risk is managed through compliance with the loan limits, procedures and selection criteria established by the lenders.

(c) Other

The Company is currently in discussions with one of its third party lenders regarding amounts owed to that lender. Included in accounts payable and accrued liabilities is approximately $950,000 owing to the lender. During the year, this lender acquired a portfolio of loans from another third party lender which it was funding through an arrangement not involving the Company. As a result of this transaction, which the Company was not party to, the lender is claiming additional amounts may be owing to them. The lender is currently attempting to reconcile amounts they provided to the other third party lender to the amounts the Company has reconciled and shows as being advanced to the Company's customers. The Company believes that it has properly captured the amounts made available to the Company's customers by the previous lender and that any discrepancy is an issue between the two third party lenders. Additional amounts owing to the third party lender by the Company, if any, will be recorded in the period it is determined.

17. Financial Instruments

(a) Fair Value

The Company has determined the fair values of its financial instruments as follows

(i) The fair values in the consolidated balance sheets of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate carrying amounts because of the short-term nature of these instruments.

(ii) The fair value of the capital lease obligations (collectively "the debt") are based on management estimates which are determined by discounting cash flows required under the debt at the interest rate currently estimated to be available for loans with similar terms. Based on these estimates, the fair value of the Company's debt as at June 30, 2006 is not significantly different than its carrying value.

(b) Interest Rate Risk Management

The Company does not have any interest bearing credit facilities

(c) Credit Risk Management

The maximum exposures to credit risk are represented by the carrying amount of accounts receivable and assets on rent with customers under rental contracts within the rental purchase division. The credit risk related to accounts receivable results from the possibility of default of payment. The Company performs on-going credit evaluations and allows for uncollectible amounts when determinable.

The Company rents products to a number of customers and has no concentration of credit risk with any particular individual, company or other entity. The credit risk related to assets on rent results from the possibility of customer default of agreed payments. The Company has a standard collection process in place in the event of payment default, which conclude with the recovery of the rented asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the rental assets until purchase options are exercised.

(d) Indemnities

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers.

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

18. Segment Disclosures

Management has determined that the Company and its subsidiaries are engaged in two lines of business: 1) acting as a broker to customers seeking payday advances (brokerage segment); and 2) renting, with or without an option to purchase, brand name home entertainment products, appliances and household furniture (rental segment). The corporate segment consists of the Company's administrative functions including accounting and finance, human resources, business development and information systems. All operations are carried out in Canada.

	2006			
	Brokerage	Rental	Corporate	Total
Revenues	$ 130,061,437	$ 24,107,516	$ –	$ 154,168,953
Direct expenses	(89,612,341)	(16,825,662)	(8,919,908)	(115,357,911)
Corporate costs	(7,547,905)	(725,004)	8,272,909	–
Amortization	(3,086,600)	(11,387,892)	(404,102)	(14,878,594)
Stock-based compensation	–	–	(1,372,897)	(1,372,897)
Interest	(25,809)	(8,991)	(37,307)	(72,107)
Income taxes reduction (expense)	(11,231,000)	1,781,399	922,000	(8,527,601)
Segment profit	$ 18,557,782	$ (3,058,634)	$ (1,539,305)	$ 13,959,843
Total assets	$ 68,558,808	$ 19,325,852	$ 2,539,991	$ 90,424,651
Goodwill	33,986,245	137,119	–	34,123,364
Intangible assets	5,858,877	95,419	30	5,954,326
Total expenditures during the year:				
Rental assets	$ –	$ 12,536,658	$ –	$ 12,536,658
Capital assets	7,135,555	719,400	284,689	8,139,644
Intangible assets	61,773	–	–	61,773
Goodwill	1,519,966	–	–	1,519,966

	2005			
	Brokerage	Rental	Corporate	Total
Revenues	$ 63,890,608	$ 12,880,941	$ –	$ 76,771,549
Direct expenses	(43,624,907)	(10,154,382)	(4,892,982)	(58,672,271)
Corporate costs	(3,764,237)	(401,562)	4,165,799	–
Amortization	(1,135,667)	(5,247,536)	(230,858)	(6,614,061)
Stock-based compensation	–	–	(155,406)	(155,406)
Interest	(31,145)	(7,646)	(491,910)	(530,701)
Income taxes reduction (expense)	(5,684,297)	1,086,220	595,106	(4,002,972)
Segment profit	$ 9,650,355	$ (1,843,965)	$ (1,010,251)	$ 6,796,138
Total assets	$ 62,057,515	$ 15,212,978	$ 5,570,374	$ 82,840,867
Goodwill	32,466,279	137,119	–	32,603,398
Intangible assets	6,128,497	287,629	4,892	6,421,018
Total expenditures during the year:				
Rental assets	$ –	$ 10,179,667	$ –	$ 10,179,667
Capital assets	5,676,668	1,684,305	1,085,634	8,446,607
Intangible assets	6,240,301	–	–	6,240,301
Goodwill	32,416,278	–	–	32,416,278

19. Comparative Figures

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

notes to the consolidated financial statements (continued)

For the Years Ended June 30, 2006 and 2005

20. Subsequent Events

Subsequent to the year end, the Company approved a plan to either sell the rental segment or spin it off into a separate public company. In conjunction with the plan, proforma financial information has been included to reflect the impact of the sale or spinoff as if it had been approved prior to June 30, 2006 and therefore treated as an asset held for sale.

Proforma statement of operations	
Revenue	$ 130,061,437
Expenses	99,243,259
Amortization	3,490,702
Total expenses and amortization	102,733,961
Income from continuing operations before income taxes	27,327,476
Provision for income taxes	10,309,000
Income from continuing operations	17,018,476
Loss from assets held for sale, net of tax	(3,058,633)
Net income as reported	**$ 13,959,843**
Proforma earnings per share	
Continuing operations:	
Basic earnings per share	$ 0.83
Diluted earnings per share	$ 0.82
As reported:	
Basic earnings per share	$ 0.68
Diluted earnings per share	$ 0.67
Proforma balance sheet	
Assets	
Current assets	
Related to continuing operations	$ 37,018,808
Assets held for sale	18,270,852
Long-term assets	56,044,807
	$ 111,334,467
Liabilities	
Current liabilities	
Related to continuing operations	$ 14,232,159
Liabilities held for sale	25,084,345
Long-term liabilities	1,717,280
	41,033,784
Shareholders' equity	
Share capital	48,588,131
Contributed surplus	2,171,473
Net investment in assets held for sale	(6,813,492)
Retained earnings	26,354,572
	70,300,684
	$ 111,334,467

Included in current assets related to continuing operations and liabilities held for sale is a $20.9 million intercompany balance.

corporate governance

The values that guide our day-to-day operations are also reflected in the guidance we receive from our Board of Directors, which embraces the principle that strong corporate governance works in the best interest of Rentcash and its shareholders. Rentcash believes that effective corporate governance practices are fundamental to the overall success of a company.

Our Corporate Governance practices reflect our commitment to openness and accountability. Rentcash is committed to full compliance with applicable corporate governance requirements and seeks to continuously improve its corporate governance standards.

Each Director is expected to attend all regularly scheduled meetings and all of the Committees on which they serve. To prepare for meetings, members of the Board are expected to review the materials that are sent to each Director in advance of those meetings. Each Director must act honestly and in good faith with a view to the best interests of Rentcash and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board of Directors of Rentcash has:

- adopted a Board Mandate;
- adopted charters for each of the standing committees;
- adopted Position Descriptions for the CEO, Chairman, Lead Director and the Committee Chairs;
- adopted a Code of Business Conduct and Ethics that establishes a high standard for ethical behaviour among management and employees;
- implemented a formal Timely Disclosure, Confidentiality and Insider Trading Policy to ensure that communications with investors and the public are timely, factual and accurate.

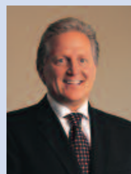
In addition, the Audit Committee has adopted a Whistleblower policy which establishes the process of reporting a complaint or concern with respect to accounting or auditing matters.

The Board of Directors has established an Audit Committee, a Management Resources Committee and a Corporate Governance and Nominating Committee. The Audit Committee is made up of independent directors. The majority of the members of both the Management Resources Committee and the Corporate Governance and Nominating Committee are independent directors.

To further reinforce independence, the Board has appointed Mr. Brian Hesje as Lead Director. Mr. Hesje is responsible for developing the agenda for and presiding over in-camera sessions and acting as principal liaison between the non-management Directors and the CEO on matters dealt with in the in-camera sessions.

For a complete review of Rentcash's corporate governance practices, please refer to the Management Information Circular, available on our website at www.rentcash.ca.

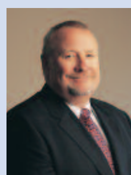
board of directors



Chairman

Gordon J. Reykdal
Chairman, President & CEO

Mr. Reykdal holds the position of Chairman and Chief Executive Officer of Rentcash Inc., a company he founded in February 2001. He was also the founder, Chairman, President and Chief Executive Officer of RTO Enterprises Inc. from 1991 to 2001. RTO Enterprises Inc. was restructured and became Easyhome (TSX:EH)



Director

William C. (Mickey) Dunn
Corporate Governance and Nominating Committee (Chair), Audit Committee

Chairman, True Energy Inc.
Joined the Board of Rentcash on June 21, 2002.
Mr. Dunn has been the Chairman of True Energy Inc., an oil and gas company, since September 2000 and is also a Director for Precision Drilling. From 1982 to 2000 he was the President of Cardium Service and Supply Ltd., an oilfield equipment company.

Director

Brian W. Hesje
Audit Committee (Chair), Management Resources Committee

Chairman, Fountain Tire Corp.
Joined the Board of Rentcash on November 22, 2003
Mr. Hesje has been the Chairman of Fountain Tire Ltd., a tire retail company, since 1992 , Chief Executive Officer from 2002 to 2005, and was the President of Fountain Tire Ltd., from 1992 to 2002. He also serves on the Board of Directors for ATB Financial and CIRCA Enterprises Inc.

Director

Michael H. Ross
Management Resources Committee, Corporate Governance and Nominating Committee

Managing Partner, Conroy Ross Partners
Joined the Board of Rentcash on June 21, 2002.
Mr. Ross is the Managing Partner of Conroy Ross Partners, an executive search and management consulting firm, and has been with them since 2002. Prior to that he was the Vice President of Cap Gemini Ernst & Young, a consulting firm from 2000 to 2002. From November 1989 to 2000 Mr. Ross was a Partner at Ernst and Young, an accounting firm.

Director

Edward C. McClelland
Management Resources Committee (Chair), Corporate Governance and Nominating Committee

Chairman TEC Groups #223 & 323
Joined the Board of Rentcash on November 8, 2005.
Mr. McClelland has been the Chairman of TEC (The Executive Committee) Groups #223 & 323, an international organization comprised of over 11,000 CEO's from businesses with revenues of more than $3 million, since 1997. From 1994 to 1996 he was the Vice President of CIBC Finance. Prior to that he was the President of Transamerica/Borg Warner Group of Companies, Canada, Australia, and Europe.

Director

T.D. (Terry) Freeman
Audit Committee

Chief Financial Officer, Flint Energy Services Ltd.
Joined the Board of Rentcash on December 14, 2005.
Mr. Freeman has been the Chief Financial Officer of Flint Energy Services Ltd., an integrated midstream production service provider to the energy and resource industries, since 1998. From 1992 to 1998 he was the Vice President, Finance and Administration of HMW Construction Group of Companies. Prior to that he was a Principal, Coopers and Lybrand, from 1989 to 1992.

officers

Gordon J. Reykdal
Chairman, President
& CEO

Darin Coutu
Chief Financial Officer

Bill Johnson
President
& Chief Operating Officer
Rental Division

Barret Reykdal
President
& Chief Operating Officer
Brokerage Division

senior management team

Nancy Bland
Vice President Finance

Ken King
Vice President Operations
Insta-rent

David McNeil
Vice President Operations
The Cash Store
(Eastern Canada)

Dave Morrison
Vice President
Risk Management

Tony Payne
Vice President
Information Technology

Werner Pietrzyk
Vice President Internal Audit

Margot Ross-Graham
Vice President
Human Resources

Cameron Schiffner
Vice President Operations
Instaloans

Darren Wagner
Vice President
Business Development

Chad Watts
Vice President Operations
The Cash Store
(Western Canada)

corporate information

Auditors
KPMG LLP
Edmonton, Alberta

Solicitors
Cassels Brock
& Blackwell LLP
Toronto, Ontario

Transfer Agent
Computershare Trust
Company of Canada
Toronto, Ontario

Listed
Toronto Stock Exchange
Trading Symbol: RCS

Head Office
17631 - 103 Avenue
Edmonton, Alberta T5S 1N8
Telephone: (780) 408-5110
Facsimile: (780) 408-5122
Website: www.rentcash.ca

Annual Meeting
Annual general meeting of
shareholders of Rentcash Inc.
will be held at the
Fairmont Hotel Macdonald,
10065 - 100th Street
Edmonton, Alberta
December 14, 2006 at 11:00 am. (MST)

Rentcash Inc.

Rentcash Inc.

Annual Report 2006