

Consolidated Financial Statements



December 31, 2009

MANAGEMENT'S REPORT TO THE UNITHOLDERS

The accompanying consolidated financial statements of DirectCash Income Fund (the "Fund") are the responsibility of DirectCash Management Inc., the manager of the Fund. The accompanying consolidated financial statements of the Fund have been approved by the Board of Directors of DirectCash Management Inc., and have been prepared in accordance with Canadian generally accepted accounting principles. In preparing the consolidated financial statements, DirectCash Management Inc. undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- The Board of Directors oversees management and the affairs of the Fund including ensuring management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of three members considered to be independent directors, has reviewed the consolidated financial statements with management and the external auditors.
- Management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, has designed and evaluated for effectiveness the Fund's disclosure controls and procedures (as defined in the rules of the CSA) to provide reasonable assurance that the consolidated financial statements realistically report the Fund's operating and financial results in a timely manner.
- KPMG LLP, an independent firm of chartered accountants was appointed to audit the Fund's consolidated financial statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. KPMG LLP has full and free access to the Audit Committee.

"Signed"
Jeffrey J. Smith
President & CEO
DirectCash Management Inc.

"Signed"
Hendrik J. Lombard
Chief Financial Officer
DirectCash Management Inc.

Calgary, Canada
March 23, 2010



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AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of DirectCash Income Fund as at December 31, 2009 and 2008 and the consolidated statements of comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Fund as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 23, 2010

DirectCash Income Fund
Consolidated Balance Sheets

	December 31 2009	December 31 2008
Assets		
Current assets:		
Cash in circulation	\$ 25,885,860	\$ 21,904,332
Restricted funds (note 3)	10,325,563	8,437,481
Accounts receivable	2,009,962	2,304,552
Loans receivable (note 4)	717,880	802,183
Inventories (note 5)	3,484,065	3,699,383
Prepaid expenses	378,622	1,179,504
	42,801,952	38,327,435
Future income tax (note 13)	825,628	-
Equipment (note 6)	6,865,439	6,340,639
Intangible and other assets (note 7)	16,893,360	24,893,367
Goodwill	52,365,652	52,365,652
	\$ 119,752,031	\$ 121,927,093
Liabilities and Unitholders' equity		
Current liabilities:		
Revolving credit facility (note 8)	\$ 7,771,975	\$ 11,835,386
Acquisition credit facility (note 8)	32,500,000	30,800,000
Restricted funds (note 3)	10,325,563	8,437,481
Accounts payable and accrued liabilities	8,195,528	6,315,836
Distributions payable	1,433,968	1,433,968
	60,227,034	58,822,670
Deferred rent	159,000	185,500
Deferred revenue	214,447	235,052
Unitholders' equity:		
Capital contributions: (note 9)		
Units	72,604,632	72,604,632
Exchangeable partnership units	41,963,273	41,963,273
Accumulated other comprehensive income (note 1(m))	257,262	-
Deficit at beginning of period	(51,884,035)	(36,691,639)
Distributions declared (note 10)	(18,703,919)	(17,208,663)
Net earnings	14,914,337	2,016,267
	59,151,550	62,683,870
	\$ 119,752,031	\$ 121,927,093

Commitments (note 12)

Contingencies (note 17)

Subsequent events (note 19)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Signed"
Gary Dundas
Director

"Signed"
Kevin Wolfe
Director

Calgary, Canada
March 23, 2010

DirectCash Income Fund
Consolidated Statements of Comprehensive Income

	For the year ended December 31	
	2009	2008
Revenue:		
Recurring services	\$ 74,463,153	\$ 63,159,923
Products	22,247,718	25,080,507
Interest	92,301	531,434
	96,803,172	88,771,864
Expenses:		
Cost of recurring services	32,027,641	26,774,734
Cost of products	20,856,456	23,626,714
Selling, general and administrative	13,111,224	11,494,866
Long-term incentive plan (note 11)	1,143,119	915,885
Interest	909,907	2,011,995
Foreign exchange translation loss (note 1(l))	266,170	-
Unrealized loss on foreign exchange (note 1(l))	506,535	-
Depreciation of equipment	3,131,184	2,511,703
Amortization of intangible assets	10,516,099	19,419,700
	82,468,334	86,755,597
Net income before income taxes	14,334,838	2,016,267
Income tax - Current (note 1(j))	246,129	-
Income tax - Future (note 13)	(825,628)	-
Net earnings	14,914,337	2,016,267
Other comprehensive income (note 1(m))	257,262	-
Comprehensive Income	14,657,075	2,016,267
Weighted average units:		
Basic and diluted	12,469,279	12,469,279
Net earnings per unit:		
Basic and diluted	\$ 1.20	\$ 0.16

See accompanying notes to the consolidated financial statements.

DirectCash Income Fund
Consolidated Statements of Cash Flows

	For the year ended	
	December 2009	December 2008
Cash provided by (used in):		
Operations:		
Net earnings	\$ 14,914,337	\$ 2,016,267
Add items not involving cash:		
Future income tax	(825,628)	-
Depreciation of equipment	3,131,184	2,511,703
Amortization of intangible and other assets	10,516,099	19,419,700
	<u>27,735,992</u>	<u>23,947,670</u>
Changes in non-cash working capital	3,227,680	1,508,960
	<u>30,963,672</u>	<u>25,456,630</u>
Investments:		
Acquisition of equipment	(3,655,984)	(2,332,084)
Acquisition of intangible assets	(2,516,091)	(6,979,444)
	<u>(6,172,075)</u>	<u>(9,311,528)</u>
Financing:		
Acquisition credit facility	1,700,000	6,810,675
Redemption of units	-	(23,032)
Distributions to unitholders	(18,703,919)	(17,208,662)
	<u>(17,003,919)</u>	<u>(10,421,019)</u>
Increase in cash and cash equivalents	<u>7,787,677</u>	<u>5,724,084</u>
Cash and cash equivalents, beginning of period	10,068,946	4,344,862
Effect of foreign exchange translation	257,262	-
Cash and cash equivalents, end of period	<u>\$ 18,113,885</u>	<u>\$ 10,068,946</u>
Cash and cash equivalents is comprised of:		
Cash in circulation	\$ 25,885,860	\$ 21,904,332
Revolving credit facility	(7,771,975)	(11,835,386)
	<u>\$ 18,113,885</u>	<u>\$ 10,068,946</u>
Cash paid during the period for:		
Interest	\$ 909,907	\$ 1,537,393
Income taxes	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

1. Basis of presentation and significant accounting policies:

DirectCash Income Fund (the "Fund") is an unincorporated, open ended, limited purpose trust established under the laws of the Province of Alberta and was created pursuant to a Declaration of Trust dated November 2, 2004. The Fund indirectly holds 63.7% of the limited partnership units of DirectCash LP, established under the laws of Alberta. DirectCash LP, in turn, holds 100% of the outstanding partnership units of the DirectCash ATM Processing Partnership (the "Processing Partnership") and DirectCash ATM Management Partnership (the "Management Partnership"), two general partnerships established under the laws of Alberta.

"DirectCash" means, collectively, DirectCash Management Inc., DirectCash Limited Partnership, DirectCash ATM Management Partnership, DirectCash ATM Processing Partnership, DirectCash Acquisition Corp., DirectCash USA, Inc., DirectCash México S.A. De C.V., DSM Services S.A. De C.V., DirectCash Management Australia Pty. Ltd. and any of their controlled affiliates (i.e. the entities involved in the actual operation of the businesses being carried on).

"DirectCash Group" means, collectively, the Fund, DirectCash Commercial Trust and the entities comprised in the definition of "DirectCash".

These consolidated financial statements have been prepared by management from the historical records of the Fund and its subsidiaries, and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), applied on a consistent basis. All intercompany balances and transactions have been eliminated.

(a) Change in accounting policies:

Goodwill and Other Intangible Assets

Effective January 1, 2009, the DirectCash Group adopted the new recommendations of the CICA Handbook for Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". There was no material impact of the change in accounting policy to the financial statements for the year ended December 31, 2009.

Financial Instruments

Effective July 1, 2009, the DirectCash Group prospectively adopted the CICA Handbook amendments to Section 3855, "Financial Instruments - Recognition and Measurement." Amendments to this section have prohibited the reclassification of a financial asset out of the held-for-trading category when the fair value of the embedded derivative in a combined contract cannot be reasonably measured. The adoption of the amendments to this standard did not have an impact on the Fund's financial statements.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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(b) Future accounting policies:

1) IFRS

The CICA Accounting Standards Board ("AcSB") confirmed in February 2008 that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective January 1, 2011. The Fund has developed a conversion plan to complete the transition by January 1, 2011, including the preparation of required comparative information. The impact of IFRS on the Fund's Consolidated Financial Statements is not reasonably determinable at this time.

2) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which will replace CICA Section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange and generally requires all acquisition costs to be expensed. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. In addition, negative goodwill is required to be recognized immediately in earnings. Section 1582 is effective on January 1, 2011.

3) Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", which will replace CICA Section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities. Section 1601 is effective on January 1, 2011 with early adoption permitted.

4) Non-controlling Interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling Interests", which will replace CICA section 1600, "Consolidated Financial Statements". Minority interest will be referred to as Non-Controlling Interest ("NCI"), and presented within equity. Under this new standard, when there is a loss or gain of control the Fund's previously held interest is revalued at fair value. In addition, NCI may be reported at fair value or at the proportionate share of the fair value of the acquired net assets and allocation of the net income to the NCI will be on this basis. Section 1602 is effective on January 1, 2011.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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5) Financial Instruments – Disclosures

In May 2009, the CICA amended Handbook Section 3862, “Financial Instruments – Disclosures,” to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments are effective on December 31, 2009.

(c) Revenue recognition:

Revenue from processing transactions and other services is recognized at the time the transactions are processed and the services are provided. Warranty fees received in advance of the warranty period are deferred and recognized over the term of the warranty period. Revenue from product sales is recognized when the risks and rewards of ownership have transferred to the customers and collection is reasonably assured, which is generally at the time the products are delivered. There is historic seasonality of processing transaction volumes, with the highest activity typically occurring in the months of March, April, June, July and August, and the lowest activity typically occurring in the months of November, December, January and February. The revenues from the Mexican operations are currently countercyclical to those in Canada because Mexico revenue is generated mostly in tourist areas.

(d) Financial instruments:

Financial instruments must be classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

DirectCash has designated its cash in circulation and restricted funds as held-for-trading, which is measured at fair value.

Accounts receivable and loans receivable are classified as loans and receivables, which are measured at amortized cost.

Revolving and acquisition credit facilities, accounts payable, accrued liabilities, and distributions payable are classified as other financial liabilities, which are measured at amortized cost.

DirectCash has not designated any financial instruments as held-to-maturity investments or available for sale financial assets.

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
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The carrying values of cash in circulation, accounts receivable, restricted funds, loans receivable, revolving credit facility, acquisition credit facility, accounts payable and accrued liabilities, and distributions payable approximate their fair values due to the relatively short periods to maturity of these instruments and the floating interest rates borne by the debt instruments. Fair value would be measured using market rates or using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques are used.

All derivative instruments, including embedded derivatives, are recorded in the statement of earnings at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes to their fair value are recorded in comprehensive income. The Fund has no derivative instrument exposure at December 31, 2009.

(e) Inventories:

Inventories consists of ATMs, Debit terminals, related spare parts and accessories held for sale, prepaid product vouchers, prepaid telecommunications cards and prepaid debit and credit cards. Inventories are stated at the lower of cost, which is determined on a weighted average basis, and net realizable value.

(f) Equipment:

Equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment Depreciation

ATM Equipment	5 years
Debit terminal equipment	5 years
Building	10 years
Computer hardware	3 years
Furniture and fixtures	5 years
Computer software	2 years
Leasehold improvements	life of lease
Automobiles	5 years
Other	5 years

(g) Intangible assets:

Intangible assets are comprised of ATM and Debit terminal processing contracts, as well as Prepaid Management contracts in the prepaid product line of business acquired at fair value. Typically, ATM and Debit terminal processing contracts have an initial 5-year term (new contracts are 6 years) and generally include a 5-year renewal provision unless the customer terminates the contract within a specified period, and include a right of first refusal ("ROFR") for any competing offer on renewal. Prepaid Management contracts typically have an initial 10-year term with similar renewal and ROFR provisions as the ATM and Debit terminal processing contracts. ATM and Debit terminal processing contracts are amortized on a straight-line basis over the expected life of the contract, while Prepaid Management contracts are amortized over the remaining life of the initial contract term.

DIRECTCASH INCOME FUND

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DirectCash tests for possible impairment of intangible assets on an annual basis or at any other time when events or conditions have occurred that would suggest an impairment of the carrying value.

Goodwill:

Goodwill reflects the residual amount that results when the purchase price of an acquired business exceeds the fair market value of net identifiable assets acquired. DirectCash reviews goodwill valuation on an annual basis or at any other time when conditions have changed that would suggest an impairment of the carrying value. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value.

When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The net carrying value of goodwill would be written down by the amount of the excess carrying amount over fair value if the value were permanently impaired. As a result of the current year's assessment no impairment loss has been recognized.

(h) Deferred rent:

Cash tenant inducements are recorded as deferred rent and amortized against rent expense over the life of the initial term of the lease period. The current portion is included in accounts payables and accrued liabilities.

(i) Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions include: the amortization period related to intangible assets; the depreciation period related to fixed assets and the allocation of purchase price to acquired assets.

(j) Income taxes:

The Fund is a mutual fund trust for purposes of the Income Tax Act (Canada), and is only subject to statutory income taxes on taxable income not distributed to the Unitholders. A subsidiary of the Fund, incorporated in Mexico, is subject to income tax in Mexico.

Incorporated subsidiaries of the Fund use the liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. Future income tax assets and liabilities are measured using

DIRECTCASH INCOME FUND

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enacted tax rates and laws expected to apply when the tax liabilities or assets are to be settled or realized.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Fund's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(k) Segmented information:

DirectCash earns revenues from three different lines of business:

1. The sale of ATMs and related products and services ("ATM business").
2. The sale of prepaid phone cards, prepaid debit and credit cards, pre-authorized debit services, and related products and services ("Prepaid product business").
3. The sale of Debit terminals and related products and services ("Debit terminal business").

Selling, general and administrative expenses are commingled between all lines of business, therefore earnings or losses by line of business are not determinable. Assets and liabilities, except for goodwill, are shared between the three lines of business and are therefore not determinable by line of business.

(l) Foreign Currency Translation:

In accordance with Canadian generally accepted accounting principles DirectCash translates foreign currency using temporal method for:

1. integrated foreign operations being operations that are considered financially and operationally dependent on DirectCash.
2. foreign currency denominated assets and liabilities that are derived from foreign currency transactions that DirectCash undertakes.

Under this method monetary assets and liabilities are translated at the prevailing rates of exchange, non-monetary assets and liabilities are translated at historic exchange rates and revenue and expense items are translated at prevailing average exchange rates during the year. Realized and unrealized exchange gains and losses are included in earnings.

During the first three quarters of 2009 Mexico operations were considered to be an integrated foreign operation and used the temporal method of translation. Effective October 1, 2009, due to the significantly improved performance of the business, the Mexican Business is considered a self sustaining operation.

DirectCash uses the current rate method for the translation of its self sustaining foreign operations in Mexico. Exchange gains or losses arising from the translation of the financial statements of this operation are recognized as a separate component of other comprehensive income. Assets and liabilities are translated at the exchange rate prevailing

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements

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at year end, while revenue and expenses are translated at the rate in effect when such items are recognized during the period. Equity is translated at historical exchange rates.

(m) Comprehensive income:

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with GAAP.

2. Acquisitions:

On June 15, 2009, DirectCash acquired certain assets of a privately held corporation engaged in ATM services for cash consideration of \$1.7 million, subject to a customary performance holdback and normal course purchase adjustments. The majority of the assets acquired consist of contracts to operate and place ATM machines at certain locations. These contracts are valued based on the remaining term of each agreement and the expected net cash flow from that agreement value is allocated to intangible assets and amortized in accordance with our policy.

On August 30, 2009, The Fund acquired certain assets (mainly customer relationships) in the prepaid line of business for consideration of \$1.00 and with a profit sharing agreement on those customers, to a maximum of \$450,000 ending 2015.

On September 10, 2009, DirectCash acquired certain assets of a privately held corporation engaged in ATM services for cash consideration of \$365,000, subject to a customary performance holdback and normal course purchase adjustments. The majority of the assets acquired consist of the residual rights in contracts to operate and place ATM machines at certain locations. These contracts are valued based on the remaining term of each agreement and the expected net cash flow from that agreement value is allocated to intangible assets and amortized in accordance with our policy. This corporation was a distributor of DirectCash and therefore the number of ATMs acquired was already included in our ATM count.

These acquisitions were funded from DirectCash's revolving credit facility. The acquisitions were accounted for by the purchase method and the results of operations have been included in the Fund's consolidated statement of earnings from the acquisition dates.

The fair recorded values of the assets acquired are as follows:

	2009	2008
Assets acquired:		
Intangible assets	\$ 1,993,450	\$ 6,879,222
Equipment	\$ 71,540	360,060
Working capital	10	(389,282)
Total consideration	2,065,000	6,850,000

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

3. Restricted funds:

DirectCash provides services related to prepaid debit and credit cards. DirectCash requires cash and security under its agreements with these customers for utilizing DirectCash's funds and to activate these cards on behalf of the customers. DirectCash places the restricted cash into short-term interest bearing deposits.

4. Loans receivable:

DirectCash has extended payment terms to a number of third parties customers for short-term ATM financing and cash loading purposes. These loans are generally repayable over one to three years and are interest free.

5. Inventories:

<i>As of:</i>	December 31 2009	December 31 2008
ATM parts and accessories	\$ 1,736,538	\$ 1,748,826
ATMs	890,141	1,133,807
Telecommunications cards	207,416	279,023
Debit terminals	469,862	439,613
Debit and credit cards	56,265	30,903
Debit terminal parts and accessories	123,843	67,211
	\$ 3,484,065	\$ 3,699,383

	Year to December 31	
	2009	2008
Inventory sold	7,329,017	10,377,944
Inventory used in repairs	466,564	623,659
Inventory written down	541,319	435,955
	\$ 8,336,900	\$ 11,437,558

DirectCash's entire inventory is pledged as security under a general security agreement with its Bank (see note 8).

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

6. Equipment:

The following tables identifies, by significant asset class, the purchased cost of equipment, the accumulated depreciation and net book value for the periods ending December 31, 2009 and 2008:

As of December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
ATM equipment	\$ 7,114,509	\$ 3,722,410	\$ 3,392,099
ATM equipment leased to third parties	665,613	508,748	156,865
Leasehold improvements	1,584,836	1,088,729	496,107
Computer hardware	2,392,154	1,277,017	1,115,137
Automobiles	677,864	367,148	310,716
Furniture and fixtures	968,547	589,142	379,405
Debit terminal equipment	830,825	388,478	442,347
Computer software	1,253,941	934,012	319,929
Building	139,836	52,438	87,398
Other	197,646	32,210	165,436
	\$ 15,825,771	\$ 8,960,332	\$ 6,865,439

As of December 31, 2008	Cost	Accumulated Depreciation	Net Book Value
ATM equipment	\$ 5,957,827	\$ 2,816,628	\$ 3,141,199
ATM equipment leased to third parties	766,190	454,485	311,705
Leasehold improvements	1,328,004	672,749	655,255
Computer hardware	1,321,792	932,899	388,893
Automobiles	561,123	240,399	320,724
Furniture and fixtures	885,055	408,636	476,419
Debit terminal equipment	834,001	321,593	512,408
Computer software	1,013,969	686,527	327,442
Building	139,836	38,455	101,381
Other	108,869	3,656	105,213
	\$ 12,916,666	\$ 6,576,027	\$ 6,340,639

DIRECTCASH INCOME FUND

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

7. Intangible and other assets:

The following tables identifies, by significant asset class, the purchased cost of the intangibles, the accumulated depreciation and net book value for the periods ending December 31, 2009 and 2008. As a result of the current year's assessment, no impairment loss has been recognized.

As of December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
ATM contracts	\$ 73,116,955	\$ 63,694,382	\$ 9,422,573
Prepaid management system contracts	21,386,713	13,931,408	7,455,305
Debit terminal contracts	1,172,086	1,172,086	-
Other	81,191	65,709	15,482
	\$ 95,756,945	\$ 78,863,585	\$ 16,893,360

As of December 31, 2008	Cost	Accumulated Depreciation	Net Book Value
ATM contracts	\$ 70,802,755	\$ 56,292,524	\$ 14,510,231
Prepaid management system contracts	21,386,713	11,171,832	10,214,881
Debit terminal contracts	1,172,086	1,025,774	146,312
Other	81,190	59,247	21,943
	\$ 93,442,744	\$ 68,549,377	\$ 24,893,367

8. Credit facilities:

DirectCash has credit facilities with a Canadian chartered bank (the "Bank"). The credit facilities are secured by a fixed and specific charge over all assets of DirectCash LP, DirectCash ATM Processing Partnership as well as an unlimited guarantee from each of its significant operating affiliates, and are subject to certain financial covenants.

(a) Revolving credit facility:

DirectCash has a \$20,000,000 revolving credit facility, of which \$7,771,975 was utilized at December 31, 2009. In addition DirectCash has an outstanding commercial letter of credit with MasterCard International in the amount of US\$1,500,000 (C\$1,570,000) relating to the Fund's prepaid MasterCard program. The revolving credit facility is demand in nature and is utilized for ATM cash machine loading, working capital requirements and commercial letters of credit. This credit facility bears interest at the Bank's prime lending rate plus 0.5%.

(b) Acquisition credit facility:

DirectCash has a \$40,000,000 acquisition credit facility, of which \$32,500,000 was utilized at December 31, 2009. The facility is demand in nature and is utilized for the acquisition of additional ATM and Debit Terminal network and Prepaid Product assets, and general corporate acquisitions in complimentary business lines. The facility bears interest at the Bank's prime lending rate plus 0.5% or at banker's acceptance rates plus 1.9% per annum. There are no scheduled principal repayments.

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(c) Interest Rate Change

Starting in the third quarter of 2009 DirectCash's Bank increased DirectCash's lending rate due to recent global market conditions on both facilities to Prime plus 1%. This increase is being phased in over four quarters in equal increments.

(d) Lending covenants:

DirectCash is subject to the following primary lending covenants, all of which DirectCash complied with:

	December 31, 2009	Covenant Limit
Funded Debt to Recurring Quarterly Revenue	2.0:1	< 10:1
Fixed Charge Cover Ratio	23.5:1	> 4:1
Senior Debt to EBITDA	1.4:1	< 2:1

9. Capital contributions:

(a) Units:

The Fund's Participating Trust Units ("Units") outstanding and capital contributions are as follows:

	Number of Units	Capital Contribution
As of December 31, 2008 and 2009	7,941,775	\$ 72,604,632

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal and undivided beneficial interest in any distributions from the Fund, whether of net earnings, net realized capital gains or other amounts, and in the net assets of the Fund in the event of a termination or winding up of the Fund. All Units have equal voting rights and privileges.

(b) Exchangeable Partnership Units:

DirectCash Limited Partnership's Exchangeable Partnership Units outstanding and capital contributions are as follows:

	Number of Units	Capital Contribution
As of December 31, 2008 and 2009	4,527,504	\$ 41,963,273

The Exchangeable Partnership Units issued by DirectCash LP have economic and voting rights, which are equivalent, in all material respects, to the Units. As a result, they have been treated for accounting purposes as Unit equivalents and classified as equity. Exchangeable Partnership Units are exchangeable, directly or indirectly, on a one for one basis for Units at the option of the holder, under the terms of an Exchange Agreement. Exchangeable Partnership Units are not

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transferable to any third parties prior to their conversion to Units. Each Exchangeable Partnership Unit entitles the holder to receive distributions from DirectCash LP pro rata with distributions made to holders of Units.

Net earnings per unit is calculated on the "as converted" basis, whereby it is assumed that all Exchangeable Partnership Units have been converted to Units.

10. Distributions declared:

	Year ended December 31	
	2009	2008
Distributions declared on equity instruments:		
Units	\$ 11,912,663	\$ 10,213,567
Exchangeable partnership units	6,791,256	6,995,095
Total distributions declared	\$ 18,703,919	\$ 17,208,662

The Fund's policy is to pay cash distributions on or about the last day of each month to Unitholders of record on the last business day of the preceding month. The Fund is committed to maintaining its distributions at a high enough rate so as to minimize any tax payable. DirectCash is required to pay income taxes on net income earned within incorporated subsidiaries. Distributions paid by the Fund would be calculated after taxes and any required withholdings are paid to foreign jurisdictions. During November the Fund declared a special distribution of \$0.12 per unit. Total distributions accrued for 2009 amounted to \$1.50 per unit.

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11. Long-term incentive plan ("LTIP"):

Pursuant to the LTIP, DirectCash sets aside a pool of funds based upon the amount by which the Fund's per Unit distributable cash flow exceeds certain defined threshold amounts. After the year end, this pool of funds is allocated to directors and employees based on performance.

Percentage by which distributable cash flow per Unit exceeds base threshold (1)	Maximum proportion of excess distributable cash available for LTIP payments
5% or less	0%
greater than 5% and up to 10%	10% of any excess over 5%
greater than 10% and up to 20%	10% of any excess over 5% to 10%, plus 20% of any excess over 10% to 20%
greater than 20%	10% of any excess over 5% to 10%, plus 20% of any excess over 10% to 20%, plus 30% of any excess over 20%

(1) \$1.65 per Unit per fiscal year (2008 - \$1.44 per Unit).

LTIP expensed during the year is as follows:

	Year ended December 31	
	2009	2008
LTIP expense	1,174,306	1,017,750
Proceeds of units sold	(31,187)	(101,865)
	\$ 1,143,119	\$ 915,885

LTIP units awarded to employees and directors vest in 3 increments, with the first third vesting immediately and the other two increments on the next two anniversary dates. LTIP expense is measured at the fair value of the units awarded on the date of the grant. This value is expensed immediately.

Unvested Units of those that are no longer employed are sold in the open market and the proceeds credited to the LTIP expense.

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12. Commitments:

DirectCash has entered into various office and warehouse leases, as well as equipment leases that require aggregate minimum annual payments as follows:

For the years ended December 31:	
2010	\$ 581,864
2011	\$ 368,233
2012	\$ 277,364
2013	\$ 277,364
2014	\$ 264,413
Thereafter	\$ 383,999

13. Future income taxes

On June 22, 2007, Bill C-52 Budget Implementation Act, 2007 was passed into law by the Canadian federal government, which contains legislation to tax publicly traded trusts in Canada. As a result, a new tax will be applied to distributions from Canadian public income trusts. The new tax is not expected to apply to the Fund until 2011 as a transition period applies to publicly traded trusts that existed prior to November 1, 2006. Accordingly, the Fund calculated the taxable temporary differences of DirectCash, tax effected at 25%, which is the expected rate that will be applicable in 2011 under the current legislation and the DirectCash Group's current structure.

The future income tax ("FIT") provision reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities of DirectCash and their corresponding income tax bases at year end.

The components of the future income tax asset are as follows:

<i>(thousands)</i>	2009
Net book value of intangible assets in excess of tax pools	120
Excess of tax pools over net book value of fixed assets	(946)
FIT (asset) liability	(826)

The provision for income taxes in the financial statements varies from the amount that would be computed by applying the relevant Canadian income tax rates to the reported earnings before taxes. The difference results from the following items:

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<i>(thousands)</i>		2009
Earnings before taxes	\$	14,335
Combined statutory rate		29%
Income taxes at statutory rate		4,157
Increase (decrease) resulting from:		
Tax deductible distributions		(5,424)
Difference between current and expected rate		543
Losses in foreign jurisdictions		68
Other		77
Income tax expense (recovery)		(579)

14. Related party transactions:

DirectCash LP makes distributions to the holders of Exchangeable Partnership Units. The holders of these units are related parties by virtue of their significant ownership interest in the business. See note 10.

DirectCash is party to various services and marketing agreements with DirectCash Bank ("DC Bank"), whereby DirectCash will provide transaction processing and technology services to DC Bank and DC Bank provides services and products to DirectCash or to DirectCash customers for a fee. All contracts are negotiated at market terms and rates. DC Bank is indirectly owned by the three original principals of DirectCash, who continue to maintain significant ownership (directly through Unit holdings and indirectly through Exchangeable Partnership Units) in the Fund. One of DC Bank's significant shareholders (indirectly through holding corporations) is also DirectCash's President and CEO.

During the year ended December 31, 2009, DirectCash paid \$713,942 (2008: \$368,276) of fees to DC Bank associated with various agreements with DC Bank.

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15. Segmented information:

DirectCash segments its revenues and cost of goods sold by line of business. Revenues and gross profits by line of business are as follows:

For the year ended December 31, 2009				
Line of Business	ATM	Prepaid Product	Debit Terminal	Total
Revenue	\$ 42,303,193	\$ 52,599,976	\$ 1,900,003	\$ 96,803,172
Cost of goods sold	17,611,115	34,760,578	512,404	52,884,097
Gross Profit	\$ 24,692,078	\$ 17,839,398	\$ 1,387,599	\$ 43,919,075
Gross Profit as a %	58.4%	33.9%	73.0%	45.4%

For the year ended December 31, 2008				
Line of Business	ATM	Prepaid Product	Debit Terminal	Total
Revenue	\$ 38,219,760	\$ 48,791,042	\$ 1,761,062	\$ 88,771,864
Cost of goods sold	15,892,364	33,915,325	593,759	50,401,448
Gross Profit	\$ 22,327,396	\$ 14,875,717	\$ 1,167,303	\$ 38,370,416
Gross Profit as a %	58.4%	30.5%	66.3%	43.2%

DirectCash has two customers which accounted for approximately 23% and 11% respectively, of DirectCash's overall revenues for the year ended December 31, 2009 (2008, two customers – 20% and 10% respectively). The revenues from these customers are spread across all lines of business. DirectCash has contractual agreements to provide services to these customers.

DirectCash operates mainly in Canada, but has growing operations in Mexico and smaller operations in both the United States and Australia. Revenue from Mexico for the year ended December 31, 2009 amounted to \$3,589,819 (2008 - \$nil) and total capital assets attributed to Mexico operations as of December 31, 2009 were recorded at \$822,612 (2008 - \$nil).

16. Capital management:

DirectCash's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence as to sustainability and future development of the Fund's businesses. DirectCash defines capital as Unitholders' equity plus debt, the amount of which is apparent from the balance sheet.

DirectCash Management Inc.'s Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth of earnings and cash flows. The DirectCash Management Inc. Board of Directors also reviews on a quarterly basis the level of distributions paid to Unitholders. There were no changes to DirectCash's approach to capital management during the period.

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DirectCash is not subject to externally imposed capital requirements, other than those associated with its lending covenants (see note 8).

17. Contingencies:

Given the nature of DirectCash's business, DirectCash has entered into a large number of contracts. Given the number of contracts, there is a small (but constant) amount of litigation where DirectCash is required to enforce its contractual rights to ensure revenue continuity. Also, in rare cases DirectCash faces litigation where competitors have issued statements of claim alleging some sort of misconduct or breach in relation to customers lost to DirectCash. It is a necessary part of DirectCash's business to enforce its contracts and defend these claims. However, none of these law suits are material in amount.

18. Financial instruments and risk management:

The carrying values of cash in circulation, accounts receivable, restricted funds, loans receivable, revolving credit facility, acquisition credit facility, accounts payable and accrued liabilities, and distributions payable approximate their fair values due to the relatively short periods to maturity of these instruments and the floating interest rates borne by debt instruments. All the financial instruments of the company mature within one year.

(a) Foreign currency risk:

DirectCash's exposure to foreign currency fluctuations stems mainly from its investment in Mexico. The debt portion of the investment is a loan to a Mexican subsidiary denominated in Canadian dollars and is revalued at the current rate on balance sheet date. The resulting gain or loss is included in the determination of net income for the period. The balance of the investment is represented by the net assets of the Mexican subsidiaries. Any gain or loss resulting from the revaluation of the net assets is included in "Other Comprehensive Income" and disclosed as part of the equity of the Fund.

DirectCash has cash in ATMs in Mexico denominated both in Peso and US dollars. The US dollars are bought on the open market and thus subject to fluctuation.

There are no ATMs with DirectCash owned cash located in the USA, but fee revenue from USA located ATMs is received and some expenses are in US dollars. While some inventory items acquired were denominated in US dollars, price changes resulting from fluctuations in currency levels were not significant.

Other than the cash in circulation (denominated in Mexican pesos and U.S. dollars in the ATM's placed in Mexico) and related intercompany loan, there were no significant financial instruments denominated in non-Canadian currency as of December 31, 2009.

A 1% change in the exchange rate between the Canadian dollar and Mexican Peso will result in approximately \$14,000 change net income and a \$45,000 change in equity

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(b) Credit risk:

The carrying amount of the financial assets represents the maximum credit exposure.

DirectCash contracts typically provide for the ability to settle ATM and point of sale transactions directly to the benefit of DirectCash, which substantially reduces the credit risk of Accounts and Loans Receivable. Based on historic default rates DirectCash carries a minimal allowance for doubtful accounts. DirectCash typically also has the contracted ability to require funds to be paid by the customer in advance of funding a prepaid card in the prepaid products line of business. During the year ended December 31, 2009, DirectCash recorded \$49,547 (2008: \$40,000) of bad debt expense related to accounts receivable that may not be collectible.

As of December 31, 2009 the aging of accounts receivable was as follows:

Current	\$	960,204
Past due (31-90 days)		472,829
Past due (>90 days)		222,069
Trade accounts receivable	\$	1,655,102
Miscellaneous accounts receivable		354,860
	\$	2,009,962

DirectCash is potentially exposed to credit risk on its restricted funds. DirectCash limits its exposure to credit risk by holding liquid securities with a regulated financial institution. Given the current standing of the regulated financial institution, DirectCash believes that the risk of default on these deposit obligations to be minimal.

(c) Interest rate risk:

DirectCash carries its debt instruments at variable interest rates and is therefore exposed to risk in the event of interest rate fluctuations. DirectCash has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations. For the year ended December 31, 2009, if underlying market interest rates had increased/decreased by 1% with all other variables held constant, net earnings would have been approximately \$417,000 lower/higher.

(d) Liquidity risk:

DirectCash may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the ability to meet commitments under credit facilities. The Fund's policy is to maintain a conservative debt to total capitalization structure, maintain a diverse clientele of well established and well financed entities, and to maintain sufficient capacity within its revolving credit facilities to meet immediate liquidity requirements.

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19. Subsequent events:

Subsequent to the year-end, the Fund acquired the shares of three corporations for \$750,000. These corporations hold contracts in the prepaid line of business, in addition to other assets. DirectCash also acquired the residual rights to processing contracts from a former distributor for \$1,272,000.

20. Comparative figures:

Certain reclassifications of prior period amounts have been made to conform to current year presentations.
