



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and six months ended December 31, 2009**

(UNAUDITED)



## INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	December 31 2009	December 31 2008	December 31 2009	December 31 2008
<b>REVENUE</b>				
Brokerage	\$ 42,281	\$ 36,966	\$ 83,905	\$ 74,259
Interest income	5	83	19	209
	<b>42,286</b>	<b>37,049</b>	<b>83,924</b>	<b>74,468</b>
<b>BRANCH EXPENSES</b>				
Salaries and benefits	11,694	9,801	22,666	19,316
Retention payments	5,000	4,600	10,100	8,851
Selling, general and administrative	4,114	4,318	8,526	8,547
Rent	3,307	2,671	6,389	5,357
Advertising and promotion	1,060	1,005	2,119	2,001
Amortization of capital assets	1,334	1,140	2,590	2,249
	<b>26,509</b>	<b>23,535</b>	<b>52,390</b>	<b>46,321</b>
<b>BRANCH OPERATING INCOME</b>	<b>15,777</b>	<b>13,514</b>	<b>31,534</b>	<b>28,147</b>
Regional expenses	2,850	2,024	5,207	3,745
Corporate expenses	3,751	3,691	7,892	7,097
Amortization of capital assets	573	233	1,073	407
Amortization of intangible assets	214	48	285	88
<b>INCOME BEFORE INCOME TAXES AND CLASS ACTION SETTLEMENTS</b>	<b>8,389</b>	<b>7,518</b>	<b>17,077</b>	<b>16,810</b>
Class action settlements - Note 10	100	1,910	100	1,910
<b>INCOME BEFORE INCOME TAXES</b>	<b>8,289</b>	<b>5,608</b>	<b>16,977</b>	<b>14,900</b>
<b>PROVISION FOR INCOME TAXES</b>				
Current	2,817	419	5,536	963
Future	5	897	334	3,589
	<b>2,822</b>	<b>1,316</b>	<b>5,870</b>	<b>4,552</b>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>\$ 5,467</b>	<b>\$ 4,292</b>	<b>\$ 11,107</b>	<b>\$ 10,348</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	16,757,832	18,507,235	16,810,385	18,970,508
Diluted	17,151,740	18,564,071	17,200,106	19,025,805
<b>BASIC EARNINGS PER SHARE</b>				
Net income and comprehensive income	\$ 0.33	\$ 0.23	\$ 0.67	\$ 0.55
<b>DILUTED EARNINGS PER SHARE</b>				
Net income and comprehensive income	\$ 0.32	\$ 0.23	\$ 0.65	\$ 0.54

See accompanying notes to interim consolidated financial statements.



**INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

(Unaudited)

(in thousands)

	Three Months Ended		Six Months Ended	
	December 31 2009	December 31 2008	December 31 2009	December 31 2008
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	\$ 21,860	\$ 24,069	\$ 20,978	\$ 21,341
Dividends on common shares	(1,676)	(3,110)	(4,018)	(3,110)
Shares repurchased - Note 8 (a)	-	(6,370)	(2,416)	(9,698)
Net income and comprehensive income for the period	5,467	4,292	11,107	10,348
<b>RETAINED EARNINGS, END OF PERIOD</b>	\$ 25,651	\$ 18,881	\$ 25,651	\$ 18,881

See accompanying notes to interim consolidated financial statements.



## INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands)

	December 31 2009	June 30 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents - Note 4	\$ 16,834	\$ 18,519
Accounts receivable - Note 5	8,996	2,864
Prepaid expenses and other	1,827	1,497
Income taxes receivable	-	150
Current future income taxes	1,521	1,622
	<b>29,178</b>	<b>24,652</b>
Deposits and other	540	481
Long term receivable	450	-
Long term investments - Note 6	540	180
Future income taxes	1,136	969
Capital assets	17,414	14,429
Intangible assets	9,475	8,531
Goodwill	35,043	34,554
	<b>\$ 93,776</b>	<b>\$ 83,796</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - Note 7	\$ 13,766	\$ 14,196
Income taxes payable	4,276	-
Current portion of deferred revenue	51	133
Current portion of deferred lease inducements	266	260
Current portion of obligations under capital leases and other	673	396
	<b>19,032</b>	<b>14,985</b>
Deferred revenue	-	13
Deferred lease inducements	512	486
Obligations under capital leases and other	1,333	1,029
Future income taxes	1,831	1,431
	<b>22,708</b>	<b>17,944</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 8	41,205	40,222
Contributed surplus - Note 9	4,212	4,652
Retained earnings	25,651	20,978
	<b>71,068</b>	<b>65,852</b>
	<b>\$ 93,776</b>	<b>\$ 83,796</b>

Contingencies - Note 10

Subsequent Events - Note 11

See accompanying notes to interim consolidated financial statements.



## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Three Months Ended		Six Months Ended	
	December 31 2009	December 31 2008	December 31 2009	December 31 2008
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 5,467	\$ 4,292	\$ 11,107	\$ 10,348
Items not affecting cash:				
Amortization of capital assets	1,907	1,373	3,663	2,656
Amortization of intangible assets	214	48	285	88
Stock-based compensation - Note 9	204	264	385	563
Future income taxes	5	897	334	3,589
	7,797	6,874	15,774	17,244
Change in non-cash operating items:				
Accounts receivable	(4,689)	1,087	(6,254)	2,985
Prepaid expenses, deposits and other	(569)	(403)	(388)	(560)
Income taxes receivable	-	(1,507)	150	(2,476)
Accounts payable and accrued liabilities	(1,195)	4,879	(464)	6,097
Income taxes payable	2,920	-	4,276	(923)
Deferred revenue	(19)	62	(95)	-
Deferred lease inducements	22	(52)	32	(86)
	4,267	10,940	13,031	22,281
<b>INVESTING ACTIVITIES</b>				
Business acquisitions - Note 3	-	(500)	(800)	(724)
Purchase of intangible assets	(136)	(151)	(1,224)	(441)
Purchase of capital assets	(3,536)	(1,553)	(6,563)	(2,193)
Purchase of long-term investments	(360)	-	(360)	-
	(4,032)	(2,204)	(8,947)	(3,358)
<b>FINANCING ACTIVITIES</b>				
Proceeds from (repayment of) obligations under capital leases and other	(102)	(1)	508	(58)
Dividends paid on common shares	(1,676)	(3,110)	(4,018)	(3,110)
Issuance of common shares	362	54	1,077	130
Shares repurchased	-	(10,550)	(3,336)	(16,110)
	(1,416)	(13,607)	(5,769)	(19,148)
<b>DECREASE IN CASH</b>	<b>(1,181)</b>	<b>(4,871)</b>	<b>(1,685)</b>	<b>(225)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>18,015</b>	<b>20,290</b>	<b>18,519</b>	<b>15,644</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 16,834</b>	<b>\$ 15,419</b>	<b>\$ 16,834</b>	<b>\$ 15,419</b>
<b>Supplemental cash flow information:</b>				
Interest paid	\$ 29	\$ 46	\$ 86	\$ 53
Interest received	-	92	2	176
Income taxes paid	\$ 7	\$ 1,909	\$ 1,249	\$ 4,345

See accompanying notes to interim consolidated financial statements.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except share and per share amounts)

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**Nature of Business**

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The Cash Store Financial Services Inc. (the “Company”) operates under two branch banners: The Cash Store and Instalozans who act as brokers to facilitate short-term advances and provide other financial services to income-earning consumers. As at December 31, 2009, the Company operated 469 (2008 – 415) branches.

The Company’s earnings are seasonal. Typically the Company has its highest revenues in the fourth quarter followed by the first quarter, the current quarter and then lastly the third quarter.

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**Note 1 – Significant Accounting Policies**

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**Basis of Presentation**

These unaudited consolidated interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates made by management. The recoverable values of future income tax assets, capital assets, goodwill and intangible assets, the estimated accrued liabilities related to the class action lawsuits, and the amortization periods of capital assets and intangible assets, are the more significant items which reflect estimates in these financial statements.

These unaudited consolidated interim financial statements do not include all of the disclosures required by Canadian GAAP. They should be read in conjunction with the audited consolidated financial statements, including notes thereto, for the year ended June 30, 2009.

Except as disclosed in Note 2, these unaudited consolidated interim financial statements follow the same significant accounting policies and methods of application as the most recent audited consolidated financial statements of the Company for the year ended June 30, 2009.

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**Note 2 – Changes in Accounting Policies and Practices**

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As disclosed in the June 30, 2009 annual audited consolidated financial statements, on July 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064 Goodwill and Intangible Assets (“Section 3064”).

The adoption of this standard has had no material impact on the Company’s financial position, net earnings or cash flows.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except share and per share amounts)

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

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**Goodwill and Intangible Assets**

In February 2008, the CICA issued Handbook Section 3064 (“Section 3064”) Goodwill and Intangible Assets. Section 3064, which replaces Section 3062, Goodwill and Intangible Assets and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Reporting Standard IAS 38, Intangible Assets. The Company has evaluated the impact of adopting this standard on our consolidated financial statements and reclassified capitalized software costs in the amount of \$4,186 from capital assets to intangible assets. These amendments have been adopted by the Company commencing July 1, 2009 and have been applied retroactively resulting in \$3,161 of net assets being reclassified from capital assets to intangible assets in the comparative June 30, 2009 balance sheet, as well as \$36 of amortization being reclassified from amortization of capital assets to amortization of intangible assets for the three months ended December 31, 2008, and \$70 for the six months ended December 31, 2008.

**Business Combinations**

In January 2009, the CICA issued Handbook Section 1582, “Business Combinations” which replaces the existing standard. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date and that non-controlling interests would be measured at their proportionate interest in the fair value of identifiable net assets or at fair value at date of acquisition. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011 and earlier adoption is permitted. The Company has adopted this standard commencing in the year ending June 30, 2010 and will not apply it retrospectively. The adoption of this standard has not had a significant impact on these financial statements.

**Non-Controlling Interests**

In January 2009, the CICA issued Handbook Section 1602, “Non-Controlling Interests” which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. The Section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company has adopted this standard commencing in the year ending June 30, 2010 and will not apply it retrospectively. The adoption of this standard has not had a significant impact on these financial statements.

**Consolidated Financial Statements**

In January 2009, the CICA issued Handbook Section 1601, “Consolidated Financial Statements” which replaces the existing standard. This Section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The Section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company has adopted this standard commencing in the year ending June 30, 2010 and will not apply it retrospectively. The adoption of this standard has not had a significant impact on these financial statements.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
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(in thousands, except share and per share amounts)

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

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**Financial Instruments – Recognition and Measurement**

In June 2009, the CICA amended Handbook Section 3855, "Financial Instruments - Recognition and Measurement," to clarify the application of the effective interest method after a debt instrument has been impaired. The Section has also been amended to clarify when an embedded prepayment option is separated from its host instrument for accounting purposes. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after May 1, 2009 for the amendments relating to the effective interest method. There have been no material impacts on the Company's financial position, net earnings or cash flows.

**Equity**

In August 2009, the CICA amended presentation requirements of Handbook Section 3251, "Equity", as a result of issuing Section 1602, "Non-Controlling Interests". The amendments apply only to entities that have adopted Section 1602. The Company has evaluated the impact of adopting this standard on our consolidated financial statements and no changes were made.

**Comprehensive Revaluation of Assets and Liabilities**

In August 2009, the CICA amended Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" as a result of issuing Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interest" in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted provided that Section 1582 is also adopted. The Company has adopted this standard commencing in the year ending June 30, 2010 and will not apply it retrospectively. The adoption of this standard has not had a significant impact on these financial statements.

**Recent Accounting Pronouncements Not Yet Adopted**

**Financial Instruments – Recognition and Measurement**

In June 2009, the CICA amended Handbook Section 3855, "Financial Instruments - Recognition and Measurement," to clarify the application of the effective interest method after a debt instrument has been impaired. The Section has also been amended to clarify when an embedded prepayment option is separated from its host instrument for accounting purposes. The amendments relating to embedded prepayment options apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of this amendment.

**Financial Instruments – Disclosure**

In June 2009, the CICA amended Handbook Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company is currently evaluating the impact of the amendment to the standard.



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FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except share and per share amounts)

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

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**Convergence with International Financial Reporting Standards (“IFRS”)**

Canada's Accounting Standards Board ratified a strategic plan that will result in GAAP, as currently used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years commencing on or after January 1, 2011, specifically July 1, 2011 for the Company.

The Company is currently in the process of developing an IFRS changeover plan which will address key areas such as accounting policies, financial reporting, information systems, disclosure controls and procedures and other business activities. As part of this changeover plan, the Company is currently identifying differences in accounting policies on an ongoing basis as compared to choices that are in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Company has not yet finalized its determination of the potential impacts of the differences between GAAP and IFRS, which may or may not be material to the financial statements. The impact of adoption will be monitored on a continual basis and the Company intends to disclose the impact of these differences in its future consolidated financial statements, as it finalizes its assessment.

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**Note 3 – Business Acquisition**

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On September 1, 2009, the Company acquired all the business assets of Affordable Payday Loans representing eight branches in Ontario and two branches in Alberta for total cash consideration of \$800. Affordable Payday Loans operated in the short-term advances industry. The Company is in the process of finalizing its valuation of the net assets acquired, including goodwill and other intangible assets; thus the allocation of the purchase price is subject to refinement.

**Net assets acquired at assigned values**

Capital assets	\$	12
Customer contracts, relationships, lists and other		5
Goodwill		816
Accrued liabilities		(33)
	\$	<b>800</b>



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except share and per share amounts)

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**Note 4 – Cash and Cash Equivalents**

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The significant components of cash and cash equivalents are as follows:

	<b>December 31 2009</b>	June 30 2009
Cash	\$ 16,584	\$ 18,269
Cash Equivalents	250	250
	<b>\$ 16,834</b>	\$ 18,519

Cash equivalents includes a short-term guaranteed investment certificate (GIC) in the amount of \$250 (2009 – \$250).

Cash includes \$3,000 in externally restricted cash related to the issuance of a standby letter of credit in the same amount. The standby letter of credit was issued pursuant to provisions of an agreement with DirectCash ATM Processing Partnership, our debit and prepaid credit card service provider, which was required to satisfy timing differences in cash settlements. No amounts have been drawn on this letter to date.

Cash also includes \$745 in funds to facilitate claims related to the Ontario class action lawsuit settlement (Note 10 (a)).

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**Note 5 – Accounts Receivable**

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	<b>December 31 2009</b>	June 30 2009
Mortgages receivable (net of allowance)	\$ 266	\$ 292
Due from investee corporations	509	1
Due from suppliers	3,316	1,643
Settlement with third party lender	3,500	-
Other	1,405	928
	<b>\$ 8,996</b>	\$ 2,864

Subsequent to December 31, 2009, the full amount of the settlement with the third party lender was received.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
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(in thousands, except share and per share amounts)

**Note 6 – Long-Term Investments**

**(a) The Cash Store Australia Holdings Inc.**

On March 31, 2008, the Company acquired 3,000,000 shares of The Cash Store Australia Holdings Inc. at a share price of \$0.06 per share for a total cost of \$180.

**(b) RTF Financial Holdings Inc.**

On December 31, 2009, the Company acquired 6,000,000 shares of RTF Financial Holdings Inc. at a share price of \$0.06 per share for a total cost of \$360.

**Note 7 – Accounts Payable and Accrued Liabilities**

	<b>December 31 2009</b>	June 30 2009
Trade accounts payable and accrued liabilities	\$ 4,686	\$ 3,587
Class action settlements - Note 10 (a) and (b)	5,044	6,169
Accrued salaries and benefits	3,467	3,458
Amounts due to third party lenders	549	939
Other	20	43
	<b>\$ 13,766</b>	<b>\$ 14,196</b>

**Note 8 – Share Capital**

**(a) Issued share capital**

	<b>December 31 2009</b>		June 30 2009	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized:</b>				
Unlimited common shares with no par value				
<b>Issued:</b>				
Balance, beginning of year	16,959,492	\$ 40,222	19,540,002	\$ 46,085
Transfer from contributed surplus for stock options exercised - Note 9	-	825	-	281
Options exercised	226,982	1,078	137,960	268
Shares repurchased	(387,799)	(920)	(2,718,470)	(6,412)
Balance, end of period	<b>16,798,675</b>	<b>\$ 41,205</b>	16,959,492	\$ 40,222



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
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(in thousands, except share and per share amounts)

**Note 8 – Share Capital (continued)**

On June 30, 2009, the Company announced its intention to make a normal course issuer bid to purchase, through the facilities of the Toronto Stock Exchange, certain of its outstanding common shares. The number of common shares to be purchased during the period of the normal course issuer bid (the “Bid”) from July 3, 2009 to July 2, 2010 will not exceed 1,063,295 common shares, or approximately 10% of the public float outstanding on June 26, 2009. Common shares purchased pursuant to the Bid will be cancelled. The Company has purchased 387,799 common shares (December 31, 2008 – 2,718,470 common shares) at a cost of \$3,336 for the six months ended December 31, 2009 (December 31, 2008 - \$16,109).

**(b) Options to Employees and Directors**

The Company has an incentive stock option plan for certain employees, officers and directors. Options issued under the plan have vesting terms that vary depending on date granted and other factors. All stock options must be exercised over specified periods not to exceed five years from the date granted.

	December 31 2009		June 30 2009	
	Total Options for Shares	Weighted Average Price	Total Options for Shares	Weighted Average Price
<b>Outstanding, beginning of year</b>	1,128,356	\$ 4.72	1,089,000	\$ 4.35
Granted	310,000	9.91	305,000	5.91
Exercised	(226,982)	4.82	(137,960)	1.94
Forfeited	(38,333)	4.89	(127,684)	7.43
<b>Outstanding, end of period</b>	<b>1,173,041</b>	<b>6.07</b>	1,128,356	4.72
<b>Exercisable, end of period</b>	<b>480,363</b>	<b>\$ 4.41</b>	466,365	\$ 4.75

At December 31, 2009, the range of exercise prices, the weighted average exercise price and weighted average remaining contractual life are as follows:

Fiscal Year Granted	Number Outstanding	Weighted Average Remaining Term	Weighted Average Exercise Price	Number Exercisable
2006	135,489	14 mos.	\$ 5.47	135,489
2007	50,000	18 mos.	5.51	50,000
2008	475,885	35 mos.	3.57	268,208
2009	205,000	50 mos.	5.36	26,666
2010	306,667	58 mos.	-	-
	1,173,041	40 mos.	\$ 4.41	480,363

(in thousands, except share and per share amounts)

**Note 9 – Contributed Surplus**

For stock options granted to certain employees, officers and directors after July 1, 2002, the Company records compensation expense using the fair value method. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense, which has been recorded in corporate expenses, with a corresponding increase to contributed surplus. When options are exercised, the fair-value amount in contributed surplus is credited to share capital.

	December 31 2009	June 30 2009
Balance, beginning of year	\$ 4,652	\$ 3,776
Stock options exercised	(825)	(281)
Agency warrants on proposed financing	-	180
Stock-based compensation expense	385	977
	<b>\$ 4,212</b>	<b>\$ 4,652</b>

**Note 10 – Class Action Settlements**

**(a) Ontario and the rest of Canada with the exception of British Columbia and Alberta**

On April 13, 2004, a legal proceeding was commenced against The Cash Store Inc. and Instaloans Inc., by Thompson McCutcheon (the “Plaintiff”), a customer. The Plaintiff obtained an order pursuant to the *Class Proceedings Act*, 1992, S.O. 1992 c.6 (the “Class Proceeding Act”), as amended, certifying the action as a class proceeding and appointing him as the representative of the class. The Plaintiff asserted that the defendants were in breach of the *Criminal Code of Canada* and the *Fair Trading Act* as the aggregate of all charges including interest, broker fees and card fees charged was in excess of those allowed by law. The Statement of Claim stated that the members of the Class would seek to recover all amounts charged, collected or received by the defendants at a criminal rate of interest, and/or at an excessive rate as well as damages, costs and interest.

On December 2, 2008, the Ontario Superior Court of Justice certified the class action lawsuit as a class proceeding under the Act, and granted approval of the settlement that had been agreed to between the Company and the representative Plaintiff on behalf of the Class. The settlement does not constitute any admission of liability by Cash Store Financial.

Under the terms of the settlement, the Company is to pay to the class a minimum of \$750 and a maximum of \$1,500 in cash and a minimum of \$750 and a maximum of \$1,500 in credit vouchers to those customers of The Cash Store and Instaloans, exclusive of Alberta and British Columbia, who were advanced funds under a loan agreement and who repaid the payday loan plus brokerage fees and interest in full. The credit vouchers may be used to pay existing outstanding brokerage fees and interest or to pay a portion of brokerage fees and interest which may arise in the future through new loans advanced. The credit vouchers are fully transferable and have no expiry date. Based on our estimate of the rate of take-up of the available cash and vouchers, a total provision of \$2,010 has been recorded to cover the estimated costs of the settlement, including legal fees and other costs. During the year ended June 30, 2009, the Company paid the legal fees and costs of the class. On August 6, 2009 the claims process was concluded and we issued \$750 in vouchers and \$750 in cheques to the class members as full and final satisfaction of all claims. Management estimates the range of the cheques and vouchers taken up to be between \$1,000 and \$1,500. As at December 31, 2009, the remaining accrual is \$44.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except share and per share amounts)

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**Note 10 – Class Action Settlements (continued)**

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**(b) British Columbia**

On March 5, 2004, an action under the Class Proceedings Act was commenced in the Supreme Court of British Columbia by Andrew Bodnar and others proposing that a class action be certified, on his own behalf and on behalf of all persons who have borrowed money from the defendants: The Cash Store Inc., Cash Store Financial, and All Trans Credit Union Ltd. The action stems from the allegations that all payday loan fees collected by the defendants constitute interest and therefore violate s. 347 of the Criminal Code. On May 25, 2006, the claim in British Columbia was affirmed as a certified class proceeding of Canada by the B.C. Court of Appeal. In fiscal 2007, the plaintiffs in the British Columbia action brought forward an application to have certain of our customer's third party lenders added to the Claim. On March 18, 2008, another action commenced in the Supreme Court of British Columbia by David Wournell and others, the "Related Actions", against Cash Store Financial, Instalozans Inc., and others in respect of the business carried out under the name Instalozans since April 2005.

On May 12, 2009, the Company settled the British Columbia Related Actions in principle. The settlement is conditional upon the terms of the settlement being approved by the Court. The settlement does not constitute any admission of liability by Cash Store Financial. As at December 31, 2009 the settlement had not been approved by the Court. A decision is expected to be received during the third quarter of fiscal 2010.

Under the terms of the settlement in principle, the Company is to pay to the eligible class members a maximum estimated amount, as at this date, of \$8,000 in cash and \$8,000 in credit vouchers, subject to court approval, who were advanced funds under a loan agreement and who repaid the payday loan plus brokerage fees and interest in full or who met certain other eligibility criteria. The credit vouchers may be used to pay existing outstanding brokerage fees and interest or to pay a portion of brokerage fees and interest which may arise in the future through new loans advanced. The credit vouchers are not transferable and have no expiry date. In addition, the Company is to pay the legal fees and costs of the class. Based on our estimate of the rate of take-up of the available cash and credit vouchers, a provision and accrued liability of \$5,000 has been recorded to cover the estimated costs of the settlement, including legal fees of the class and costs to administer the settlement fund. The estimated maximum exposure with respect to this settlement is approximately \$16,000. It is possible that additional reserves above that are already recorded by the Company could be required. Additional reserves, if required, cannot be reasonably determined at this time because of the difficulty in predicting the number of class Members who may advance a claim under the settlement.

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**Note 11 – Subsequent Events**

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**Dividends declared**

On January 27, 2010, the Company declared a quarterly cash dividend of \$0.10 per common share. The dividend is payable on February 25, 2010 to shareholders of record on February 10, 2010.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)**

(in thousands, except share and per share amounts)

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**Note 12 – Comparative Figures**

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