



## **Management's Discussion and Analysis of Financial Condition and Results of Operations for the periods ended March 31, 2009 and 2008**

### **May 11, 2009**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and the accompanying notes of DirectCash Income Fund (the "Fund") for the three months ended March 31, 2009 (the "2009 Q1 Financial Statements"), along with Management's Discussion and Analysis and consolidated financial statements for the year ended December 31, 2008 (the "2008 Year End Financial Statements"). Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

### **Definitions**

In this MD&A:

**"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., DirectCash Trinidad and Tobago 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".

### **Forward-looking Statements**

This MD&A contains certain forward-looking statements relating to future events. Forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Fund's ability to control, including the impact to DirectCash's business, general economic conditions, consumer spending, borrowing trends and regulatory changes to name a few. Certain statements that contain words such as "could", "believe", "expects", "expected", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. In particular, forward-looking information and statements contained in this MD&A include statements related to DirectCash's projected growth in Canada and Mexico in the ATM business, projected growth in the prepaid and debit terminal business, accretive acquisitions on a go forward basis, expansion of DirectCash's merchant base through new and innovative products, entry into new geographic markets, ability to continue to acquire long-term recurring services contracts and expected increase in capital expenditures due to regulatory mandated security upgrade changes are all statements that have been stated or referred to throughout this MD&A.

## **Business Strategy**

### ***ATM business - Canada***

DirectCash's focus on growth in the ATM business has historically been organic, utilizing an in house sales force as well as established distributor relationships. Organic growth, which includes adding other ATM related services along with ATM site additions, continues to be a strong focus; however, in recent years DirectCash's focus has also shifted to acquiring ATM assets through acquisitions of competitors and the purchase of some of DirectCash's existing distributor relationships. Historically, DirectCash has been able to make acquisitions at reasonable valuations, providing accretive returns to the Fund's Unitholders and DirectCash believes this will continue to be the case going forward.

On a go forward basis DirectCash intends to continue to utilize DirectCash's in house sales force to drive Canadian organic growth focusing on new ATM sales and placements as well as attracting customers that already have ATMs and are looking for a new supplier. In addition, with the continued placement of ATMs at new locations in the Canadian marketplace and the willingness of the owners of such ATMs to sell them, DirectCash's business may continue to grow through accretive acquisitions, when the opportunities are made available to DirectCash. DirectCash intends to continue to manage its cost structure efficiently in this stable cash flow business in which customer's execute long term contracts.

### ***ATM business – Mexico***

DirectCash started reporting ATM business results for Mexican operations in the first quarter of 2009. Mexico provides a solid growth opportunity for DirectCash as the Mexican marketplace is currently unsaturated. As at March 31, 2009 approximately 90 DirectCash ATMs have been deployed and are active in Mexico. The results for the first three months of 2009 were very positive from a gross profit perspective. The successful establishment of an ATM business in Mexico and DirectCash's first quarter of reporting results is a major milestone for DirectCash.

### ***Prepaid products business***

The prepaid products business has been DirectCash's highest organic growth line of business in recent years, largely resulting from the expansion of DirectCash's customer base as well as growth within DirectCash's existing customer's businesses. DirectCash offers both prepaid MasterCard products and prepaid Interac debit cards. DirectCash's focus in this line of business is the development of new products and the diversification of the customer base in order to reduce the dependency on DirectCash's existing concentrated customer base. DirectCash expects to see continued growth through DirectCash's existing customer base as customers expand their site locations both domestically and internationally. To this end, DirectCash has developed and expanded products such as the sale of hard card telecommunications products, virtual voucher phone cards, money transfer, cheque cashing solutions and electronic fund transfer services. DirectCash's strategy is to continue to develop and offer new products and expand merchant relationships including expansion into new geographic locations in order to continue to diversify this line of business. DirectCash also intends to pursue acquisition opportunities in this line of business where feasible.

**Debit terminal business**

Historically, this has been the smallest business segment in terms of gross profit contribution. However it is DirectCash's view that the growth potential for this line of business is significant. DirectCash's growth strategy is to continue to offer unique products and services through DirectCash debit terminals which the banks do not offer.

**Critical Accounting Policies**

DirectCash believes that the accounting policies that are critical to the business relate to the use of estimates regarding the valuation and amortization of intangible assets and revenue recognition. For a detailed discussion of accounting policies which DirectCash considers significant see the notes to 2008 Year End Financial Statements filed on [www.SEDAR.com](http://www.SEDAR.com).

**Non-GAAP Measures**

There are a number of financial calculations that are not defined performance measurements under GAAP but which DirectCash believes are useful and accepted performance measurements utilized by the investing public in assessing the overall financial performance of income trusts.

**Earnings before interest, taxes, depreciation and amortization ("EBITDA")**

EBITDA represents gross profits less selling, general and administrative expenses ("SG&A") and long-term incentive plan expenses, and is not a defined performance measure under GAAP. DirectCash believes that EBITDA is a useful supplementary disclosure commonly used by the investing community to assess and compare cash flows between entities. EBITDA specifically excludes depreciation, amortization, income taxes and interest expense. The Fund's EBITDA may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to EBITDA as reported by such issuers.

**Standardized distributable cash flow and standardized distributable cash flow per unit**

On July 6, 2007, the Canadian Securities Administrators ("CSA") published revised National Policy Statement 41-201 Income Trusts and Other Direct Offerings that includes guidance concerning distributable cash flow measures and their related disclosure. In accordance with the interpretive release issued by the Canadian Institute of Chartered Accountants ("CICA"), DirectCash has calculated a distributable cash flow measure called Standardized Distributable Cash Flow and has included it as an additional disclosure. Standardized Distributable Cash Flow is calculated as cash flow from operations including the effect of changes in non-cash working capital less total capital expenditures required to preserve productive capacity, and restrictions on distributions resulting from compliance covenants. Due to normal course changes of non-cash working capital between periods, Standardized Distributable Cash Flow has the potential to be volatile between periods compared to the Fund's existing measure of Distributable Cash Flow, which is calculated as cash flow from operations excluding the impact of non-cash working capital changes less productive capital maintenance requirements (see discussion below). In order to reconcile the two measures, DirectCash has calculated Standardized Distributable Cash Flow and reconciled it to Distributable Cash Flow.

***Distributable cash flow and distributable cash flow per unit***

Distributable cash flow and distributable cash flow per unit are non-GAAP measures generally used by Canadian open-ended income funds as an indicator of financial performance. Readers are cautioned that distributable cash flow is not a defined performance measure under GAAP and that distributable cash flow cannot be assured. The Fund calculates distributable cash flow as equal to the consolidated funds flow from operations before changes in non-cash working capital, after provision for productive capital maintenance capital expenditures (see discussion below). The Fund's distributable cash flow and distributable cash flow per unit may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash flow and distributable cash flow per unit as reported by such issuers.

Unitholders receive cash distributions sourced from distributions made by DirectCash LP indirectly to the Fund. The Fund's policy is to distribute, to the maximum extent possible, the cash earned from operations to Unitholders, less amounts estimated to be required for expenses, productive capital maintenance, cash redemptions or repurchases of Units, any current tax liability, or other obligations, debt repayments and any reasonable reserves established. The Fund makes monthly cash distributions to Unitholders on the last business day of each month to Unitholders of record on the last business day of the preceding month. As of May 4, 2009, monthly distributions has historically been paid at \$0.115 per Unit per month (\$1.38 per Unit annualized). Distributions are funded from cash flows generated by the operation of the business.

***Productive capital maintenance expenditures***

DirectCash differentiates capital expenditures between growth and productive capital maintenance ("Maintenance Capital"). There is no such distinction under GAAP. However, DirectCash believes it is important to differentiate between them as maintenance capital expenditures represent a discretionary adjustment to distributable cash flow while growth capital does not. Maintenance capital expenditures are defined as expenditures required to service and maintain DirectCash's existing productive capacity, while growth capital is expended to increase DirectCash's productive capacity by adding additional sources of revenue not currently in existence. Current measures of productive capacity that DirectCash utilizes include ATMs and debit terminals under contract (see "Operational Highlights"). Software and hardware upgrades to existing infrastructure, ATM and debit terminal equipment upgrades necessary to meet changing regulatory requirements, contract extension incentives, and fleet vehicle purchases and upgrades are some examples of maintenance capital expenditures. Examples of growth capital expenditures include the acquisition of a competitor's assets, the cost of an ATM in a new location, or technology costs related to new sources of revenue.

Readers are cautioned that productive capital maintenance expenditure is not a defined performance measure under GAAP. The Fund's computation of productive maintenance capital expenditure may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to maintenance capital expenditures as reported by such issuers.

## Summary of Quarterly Results

The following table presents a summary of the Fund's selected consolidated financial information for the three months ended March 31, 2009 and 2008:

### Selected financial information

(thousands of Canadian dollars, except per unit amounts)

	Three Months Ended	
	March 31	
	2009	2008
<b>Financial Highlights</b>	(unaudited)	(unaudited)
Revenue		
Recurring services revenue	\$ 17,980	\$ 15,070
Products revenue	5,589	6,771
Interest income	53	168
<b>Total revenue</b>	<b>\$ 23,622</b>	<b>\$ 22,009</b>
Gross profit - Recurring services and interest	\$ 10,262	\$ 8,569
<i>Gross profit margin</i>	<i>56.9%</i>	<i>56.2%</i>
Gross profit - products	356	559
<i>Gross profit margin</i>	<i>6.4%</i>	<i>8.3%</i>
<b>Total gross profit</b>	<b>\$ 10,618</b>	<b>\$ 9,128</b>
<i>Total gross profit margin</i>	<i>45.0%</i>	<i>41.5%</i>
<b>Expense and other income:</b>		
Selling, general and administrative	3,211	2,747
Long-term incentive plan	305	260
Interest	301	523
Depreciation of equipment	712	586
Amortization of intangible assets	3,793	4,598
	<b>8,322</b>	<b>8,714</b>
Net earnings before income taxes	2,296	414
Income taxes	100	-
<b>Net earnings</b>	<b>2,196</b>	<b>414</b>
<i>Net earnings per unit</i>	<i>\$ 0.18</i>	<i>\$ 0.03</i>
<b>Add back:</b>		
Interest	301	523
Depreciation of equipment	712	586
Amortization of intangible assets	3,793	4,598
Income taxes	100	-
<b>EBITDA</b>	<b>\$ 7,102</b>	<b>\$ 6,121</b>
<i>EBITDA margin</i>	<i>30.1%</i>	<i>27.8%</i>
<b>Total assets at March 31</b>	<b>\$ 116,582</b>	<b>\$ 121,807</b>
<b>Total debt at March 31</b>	<b>\$ 37,628</b>	<b>\$ 32,162</b>
<b>Total debt net of cash at March 31</b>	<b>\$ 18,732</b>	<b>\$ 20,874</b>

## Operational Highlights

Operational Highlights	Three months ended March 31	
	2009 (unaudited)	2008 (unaudited)
Number of machines - end of period		
ATM terminals - active in past 30 days <sup>1</sup>	5,983	5,370
Debit terminals - active in past 30 days <sup>1</sup>	2,995	2,980
Number of transactions for the period		
ATM transactions	7,010,856	6,883,577
Debit terminal transactions	2,270,879	2,040,381
Prepaid cash card activations	816,598	661,458
Prepaid cash card transactions	2,212,995	1,798,697

<sup>1</sup>DirectCash has included statistics only for sites that recorded a transaction in the past calendar month.

On a year over year basis, the number of DirectCash active ATMs increased by 613. The year over year net increase is a result of the acquisitions made in 2008 and the addition of Mexico operations in the first quarter of 2009. ATM transactions for the three month period ended March 31, 2009 are up 1.8% compared to Q1 2008. The increase in ATM transactions reflects the impact of the reporting of the Mexican ATM business in the first quarter of 2009 and the impact on a year over year comparison of the 2008 ATM acquisitions. ATM revenues per transaction increased in the first quarter of 2009 when compared to the first quarter of 2008 as a result of the above. ATM transactions in Canada declined in the network on a per ATM basis from Q1 2008 as DirectCash continues to see the impact of a maturing ATM market in Canada and a decline in discretionary spending by consumers. As more ATMs are added to the Canadian market place there has been no corresponding increase in overall transactions. DirectCash's focus in the ATM business is to continue to add sites and grow aggregate transactions both organically and through accretive acquisitions and to maximize site profitability through cost and quality control. In addition, DirectCash is considering new geographic markets, such as DirectCash's recently started Mexican operation which is now adding to DirectCash's recurring services revenue growth and gross profit margins.

The year over year increase in DirectCash's debit terminal count is 15. In the first quarter of 2009 one of DirectCash's major debit terminal customers went into receivership, which impacted 185 debit terminal sites. Given the impact on the number of active debit terminal sites for the period ended March 31, 2009 the existing sites still posted an 11.3% increase in transactions. DirectCash continues to pursue organic growth in this business segment and to grow market share by providing retailers with unique products and services to enhance the business viability of the debit terminal for the retailer.

The 23.4% growth in cash card activations for the three months ended March 31, 2009 is a result of new customer relationships and growth within existing relationships. The prepaid MasterCard program continues to find traction and displace some debit card activations. The 23.0% increase in prepaid cash card transactions for the three months ended March 31, 2009 is due to the same reasons noted above for the increase in prepaid cash card activations as well as an increase in transactions per card as prepaid products continue to gain consumer acceptance and confidence. Activation and transaction figures include both prepaid debit and prepaid credit cards.

## Results of Operations for the Three Months Ended March 31, 2009

### Revenue

On an aggregate basis, revenues have increased by 7.3% for the three months ended March 31, 2009, as compared to Q1 2008. Revenue by line of business, which includes both recurring services and products revenue, is as follows:

Revenue by Line of Business (thousands) (unaudited)	Three months ended March 31		
	2009	% change	2008
ATM Business	\$ 10,085	13.2%	\$ 8,912
Prepaid products business	13,104	3.2%	12,702
Debit terminal business	433	9.6%	395
Total Revenue	\$ 23,622	7.3%	\$ 22,009
<b>Revenue by type (thousands)</b>			
Recurring services	\$ 17,980	19.3%	\$ 15,070
Products	5,589	-17.5%	6,771
Interest	53	-68.5%	168
Total Revenue	\$ 23,622	7.3%	\$ 22,009

### Revenue – Recurring Services

Recurring services revenue relates to revenue earned from transaction processing activities, including ATM, debit terminal and prepaid product transactions. For the three months ended March 31, 2009 recurring services revenue increased by \$2.9 million (19.3%) over Q1 2008.

The increase in recurring services revenue is primarily attributable to both the ATM and prepaid products line of businesses. The increase in ATM recurring services revenue is related to the revenues generated from Mexico in the first quarter of 2009 and the year over year impact of the ATM acquisitions made during 2008. The increase in prepaid products recurring services revenue comes from both prepaid debit card and MasterCard cash card products as customers show greater acceptance and use of these products. The respective 23.4% increase in card activations and 23.0% increase in prepaid cash card transactions on a year over year comparison attests to the growth potential in this business segment. DirectCash's prepaid card merchant customers are also continuing to expand their customer base through the growth of their retail locations.

There is historic seasonality in processing transaction volumes, with the highest ATM transaction activity typically occurring in the second and third quarters of the year. The first and fourth quarters are traditionally DirectCash's weakest quarters in terms of processing transactions and gross profitability. The Fund has eliminated the impact of seasonal fluctuations in cash flows to Unitholders by equalizing monthly cash distributions. This seasonality is considered when determining levels of available cash at the end of each reporting period.

### **Revenue – Products**

Product revenue includes sales of ATMs and related parts, debit terminals and related parts, and prepaid products, which includes the sale of cash cards (debit and credit) and prepaid telecommunications products, both physical (“hard cards”) and electronic (“virtual vouchers”).

For the three months ended March 31, 2009 revenue from product sales was down \$1.2 million or 17.5% from Q1 2008. The primary reason for the lower revenues on a year over year comparison is due the decline in the telecommunications sales of virtual vouchers and hard cards. The Fund has seen a reduction in sales in long-distance telephone and cellular cards in Alberta, where a number of clients are dependent upon the transient oil and gas work force which has been reduced in recent months. ATM and debit terminals sales were flat on a year over year comparison as the business model for this component of the business continues to lean towards full placement and rental units versus sales.

### **Interest Income**

Interest income declined significantly on a quarter over quarter basis as a result of the impact of lower interest rates that can be realized on funds held in short term deposits.

### **Gross Profits**

On an aggregate basis, gross profits have increased by 16.3% for the three months ended March 31, 2009, as compared to Q1 2008. Gross profit by line of business, which includes both recurring services and products revenue, is as follows:

<b>Gross profit by Line of Business (thousands)</b> <b>(unaudited)</b>	<b>Three months ended March 31</b>		
	<b>2009</b>	<b>% change</b>	<b>2008</b>
ATM Business	\$ 6,076	15.6%	\$ 5,255
<i>gross profit margin</i>	<b>60.3%</b>		59.0%
Prepaid products business	4,223	15.8%	3,647
<i>gross profit margin</i>	<b>32.2%</b>		28.7%
Debit terminal business	319	40.4%	227
<i>gross profit margin</i>	<b>73.7%</b>		57.4%
Total Gross Profit	\$ 10,618	16.3%	\$ 9,128
<i>gross profit margin</i>	<b>45.0%</b>		41.5%
<b>Gross profit by type (thousands)</b>			
Recurring services and interest	\$ 10,262	19.8%	\$ 8,569
<i>gross profit margin</i>	<b>56.9%</b>		56.2%
Products	356	-36.3%	559
<i>gross profit margin</i>	<b>6.4%</b>		8.3%
Total Gross Profit	\$ 10,618	16.3%	\$ 9,128
<i>gross profit margin</i>	<b>45.0%</b>		41.5%

### ***Gross Profitability – Recurring Services***

Total gross profits from recurring services revenue and interest income for the three months ended March 31, 2009 was \$1.7 million or 19.8% higher than Q1 2008. The increase in gross profitability for recurring services can be attributed to the following factors: (a) the recognition in the quarter of the positive gross margin contributions from the Mexican ATM operations, (b) the year over year impact of the ATM acquisitions made during 2008, and (c) the higher year over year activity in Prepaid cash card activations and transactions.

Gross profit margins on a year over year comparison are slightly higher at 56.9% for the three months ended March 31, 2009 as compared to 56.2% for Q1 2008. The ATM recurring services gross margins improved on a year over year comparison basis as a result of the strong performance from the Mexican ATM operations and the impact of the 2008 Canadian acquisitions resulting in more total active sites and a overall higher revenue per transaction. The increase in overall activation and transaction levels continues to be reflected in the overall aggregate increase in gross profit contributions from the recurring services business segment.

### ***Gross Profitability - Products***

Gross profit from product revenues for the three months ended March 31, 2009 declined by 36.3% or \$203 thousand from Q1 2008. The decline can be explained primarily by a combination of lower margin contributions on the sales of ATMs and debit terminals as the business model continues to lean towards full placement and the rental of units; lower margin contributions from the telecommunication hard cards as revenues declined on a quarter over quarter basis; and there was a higher inventory obsolescence write down in the first quarter of 2009 compared to last year.

DirectCash has a strategic focus of keeping ATM and debit terminal purchase prices as low as possible for the DirectCash customer in order to maximize the number of machines that can be placed. By maintaining this strategy for this part of the business, DirectCash believes that this will assist DirectCash in acquiring additional long-term revenue generating services contracts.

### ***Selling, General & Administrative Expenses (“SG&A”)***

For the three months ended March 31, 2009 SG&A expenses increased by \$465 thousand or 16.9% from Q1 2008. The increase on a quarter over quarter basis is the result of higher salaries and benefits incurred as the Mexican ATM operation is now accounted for in the first quarter of 2009 as well as the addition of some key staff members brought on to assist in the DirectCash's growth. General and administrative costs were also up on a year over year basis principally as a result of higher legal fees as a result of litigation costs incurred relating to the ATM business. As a percentage of gross profits, SG&A was 30.2% during the three months ended March 31, 2009 compared to 30.1% for the same period last year.

### 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 as described below:

<b>Percentage by which distributable cash flow per Unit exceeds base threshold (1)</b>	<b>Maximum proportion of excess distributable cash available for LTIP payments</b>
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%

<sup>(1)</sup> \$1.44 per Unit per fiscal year (2008 - \$1.44 per Unit).

For the three months ended March 31, 2009, total LTIP expense was estimated at \$304,750 (2008 – \$260,315), comprised of \$304,750 (2008 - \$260,315) related to financial performance, less net proceeds of \$ nil (2008 – \$ nil) from unvested Units sold in the open market in the first three months of 2009. Unvested Units are not reallocated to other participants. The LTIP base threshold will be periodically reviewed for appropriateness relative to the market and compensation requirements.

### EBITDA

For the three months ended March 31, 2009, EBITDA increased by 16.0% over Q1 2008, which is slightly lower than the 16.3% increase in gross profits. This reflects the higher gross profit contributions and lower interest expense offset in part by the higher SG&A and LTIP costs. As a percentage of revenue, EBITDA was 30.1% as compared to 27.8% during Q1 2008.

### Interest Expense

For the three months ended March 31, 2009 interest expense has decreased \$223 thousand or 42.6% over Q1 2008. DirectCash is benefitting from the lower interest rate environment as the Bank of Canada has aggressively reduced interest rates. DirectCash's use of DirectCash's revolving credit facility is relatively flat when compared to Q1 2008 (see “Liquidity and Capital Resources”). All DirectCash debt is currently on floating interest rates. A one percent change in interest rates would result in an approximate \$376 thousand annual change in interest expense based upon current debt levels.

## Net Earnings

Net earnings for the three months ended March 31, 2009 was \$2,195,557 versus net earnings of \$413,788 during Q1 2008. Amortization of intangible assets is \$804,914 lower for the three months ended March 31, 2009 as compared to Q1 2008 as the amortization period for certain intangible assets has been completed.

The disparity between net earnings and cash distributions is primarily due to amortization of intangible assets related to ATM, debit terminal and prepaid product contracts. Typically, these contracts include automatic renewals for a further minimum five-year period (new contracts are six years) unless the customer terminates the contract within a specified time period and includes a right of first refusal to match a competitor's bona fide offer on renewal, which DirectCash believes could result in the assets having a longer life than the period they are amortized over.

## Standardized Distributable Cash Flow and Distributable Cash Flow per Unit

(thousands, except for per unit amounts)	Three months ended March 31		
	2009	2008	Cumulative <sup>1</sup>
<b>Per consolidated financial statements:</b>			
<b>Net earnings/(loss)</b>	\$ 2,196	\$ 414	\$ 8,155
Add/(Deduct):			
Minority interest	-	-	838
Depreciation of equipment	712	586	8,526
Amortization of intangible and other assets	3,794	4,598	72,356
Changes in non-cash working capital	1,152	(463)	(229)
<b>Cash provided by operations:</b>	\$ 7,853	\$ 5,135	\$ 89,645
Productive capacity maintenance	(361)	(388)	(4,504)
<b>Standardized distributable cash flow</b>	\$ 7,492	\$ 4,747	\$ 85,141
<i>Per unit</i>	\$ 0.6009	\$ 0.3806	\$ 6.8283
Changes in non-cash working capital	(1,152)	463	229
Deferred rent expense	(7)	(7)	(60)
<b>Distributable Cash Flow</b>	\$ 6,334	\$ 5,203	\$ 85,311
<i>Per Unit</i>	\$ 0.5080	\$ 0.4172	\$ 6.8465
<b>Distributions declared</b>	\$ 4,302	\$ 4,303	\$ 68,001
<i>Distributions declared per unit</i>	\$ 0.3450	\$ 0.3450	\$ 5.3386
<b>Standardized Distributable Cash Flow Payout ratio</b>	57.4%	90.6%	79.9%
<b>Distributable Cash Flow Payout Ratio</b>	67.9%	82.7%	79.7%

<sup>(1)</sup> Since the Fund's initial public offering in December, 2004.

Distributions typically exceed net earnings as a result of non-cash expenses, such as depreciation of equipment and amortization of intangible assets. These non-cash expenses result in a reduction to net earnings, with no impact on cash flow from operating activities. DirectCash's policy is to distribute all available cash from operations after cash required to maintain productive capacity, debt repayments, growth opportunities, working capital reserves and other reserves as considered advisable by DirectCash Management Inc.'s board, which reflects the difference between distributions

declared and distributable cash flow. The lower distributable cash flow payout ratio in the first quarter of 2009 versus 2008 reflects the higher distributable cash flows being generated by the Fund without a corresponding increase in cash distribution levels. Since inception, the Fund has distributed 79.7% of its distributable cash flow to holders of units, exchangeable partnership units and Class B subordinated partnership units.

Cash distributions and productive maintenance capital programs have been historically funded via cash from operations, while growth capital expenditures have primarily been funded with debt. Over time, additional borrowing and equity issues may be required to increase productive capacity.

Neither standardized distributable cash flow nor distributable cash flow can be assured. See "Key Business Risks" for a list of factors which could negatively impact cash flows. DirectCash intends to utilize DirectCash's credit facilities as part of its capital structure in order to fund future capital growth, operating within the covenants of DirectCash's credit facility, thus enhancing distributable cash flow from operations.

Since inception, 100% of the Fund's distributions declared are considered other income by Unitholders. The consolidated excess of the carrying value of the Fund's equipment, intangible and other assets over their tax basis is approximately \$727 thousand.

### **Non-Cash Working Capital**

The change in non-cash working capital was as follows:

<i>(thousands)</i>					
	<b>March 31</b>		<b>December 31</b>		
	<b>2009</b>		<b>2008</b>		
				<b>Change</b>	
Accounts receivable	\$	2,006	\$	2,305	\$ 298
Loans receivable		942		802	\$ (140)
Inventories		3,888		3,699	\$ (189)
Prepaid expenses		600		1,180	\$ 580
Accounts payable and accrued liabilities		(6,935)		(6,316)	\$ 619
		501		1,670	1,169
Acquisitions and other					(17)
Change in non-cash working capital					\$ 1,152

Non-cash working capital fluctuates between periods and is dependent upon factors such as short term inventory requirements, the timing of bulk inventory shipments, and the timing of accounts receivable collections and payment of liabilities. The decrease in prepaid expenses is primarily related to the reclassification of certain expense items relating to Mexican operations and the collection of a deposit that had been held in trust. In addition, prepaid expenses can vary dependent upon the requirement for deposits and the timing of prepaid interest on bankers acceptances related to the acquisition credit facility. The increase in accounts payable and accrued liabilities primarily relates to late first quarter inventory purchases. Fluctuations in the Fund's non-cash working capital requirements are funded with DirectCash's revolving credit facility.

### Contractual Obligations

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

---

For the years ended March 31:	
2010	\$527,166
2011	515,667
2012	306,392
2013	277,364
2014	275,169
Thereafter	579,071

---

### Capital Expenditures

---

	Three months ended March 31	
	2009	2008
<b>Per consolidated financial statements:</b>		
Acquisitions	\$ -	\$ 1,670
Other capital expenditures	1,053	431
Other intangible expenditures	499	30
	<b>\$ 1,552</b>	<b>\$ 2,131</b>
<b>Split between growth and maintenance:</b>		
Growth capital	\$ 1,191	\$ 1,743
Productive capital maintenance	361	388
	<b>\$ 1,552</b>	<b>\$ 2,131</b>

---

Growth capital expenditures relate to acquisitions and other expenditures that increase DirectCash's productive capacity, while productive capital maintenance expenditures maintain productive capacity at existing levels. Productive capital maintenance expenditures are expected to trend slightly higher in 2009 due to increased security infrastructure expenditure requirements. Growth capital expenditures can vary widely between reporting periods due to the volatility of acquisition opportunities.

### Related party transactions

DirectCash LP made distributions to the holders of DirectCash LP Exchangeable Partnership Units. The holders of these units are related parties by virtue of their significant ownership interest in the business. Distributions declared were as follows:

---

(thousands)	2009	2008
<b>For the three months ended March 31:</b>		
Distributions declared on equity instruments:		
Exchangeable partnership units	\$ 1,562	\$ 1,811

---

DirectCash has entered into various services and marketing agreements with DirectCash Bank (“DC Bank”) whereby DirectCash will provide transaction processing and technology services to DC Bank. DC Bank is indirectly owned by the three original principals of DirectCash, who continue to maintain significant indirect ownership of DirectCash’s assets through their holdings of either (a) DirectCash LP Exchangeable Partnership Units or (b) Participating Units issued by the Fund. One of the DC Bank’s principals is also DirectCash’s President and CEO. During the three months ended March 31, 2009 DirectCash paid \$218,378 (2008 - \$81,546) of transaction processing fees to DC Bank associated with the DirectCash prepaid products line of business. All contracts with DC Bank are negotiated at market terms and rates and are approved by the independent members of DirectCash Management Inc.’s board of directors.

### Summary of Quarterly Results

<i>(thousands of Canadian dollars, except per unit amounts)</i>	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Revenues</b>								
ATM business	\$ 10,085	\$ 9,733	\$ 10,229	\$ 9,346	\$ 8,912	\$ 9,134	\$ 9,819	\$ 9,544
Prepaid products business	13,104	12,021	12,024	12,044	12,702	11,295	10,654	10,025
Debit terminal business	433	472	457	437	395	445	375	501
	\$ 23,622	\$ 22,226	\$ 22,710	\$ 21,827	\$ 22,009	\$ 20,874	\$ 20,848	\$ 20,070
<b>Gross Profit</b>								
ATM business	\$ 6,076	\$ 5,442	\$ 5,856	\$ 5,774	\$ 5,255	\$ 5,428	\$ 5,977	\$ 5,949
	60.3%	55.9%	57.2%	61.8%	59.0%	59.4%	60.9%	62.3%
Prepaid products business	4,223	4,050	3,602	3,577	3,647	3,288	2,938	2,906
	32.2%	33.7%	30.0%	29.7%	28.7%	29.1%	27.6%	29.0%
Debit terminal business	319	347	289	305	227	278	222	358
	73.7%	73.5%	63.2%	69.7%	57.4%	62.5%	59.2%	71.5%
<b>Total Gross Profit</b>	\$ 10,618	\$ 9,839	\$ 9,747	\$ 9,656	\$ 9,129	\$ 8,994	\$ 9,137	\$ 9,213
	45.0%	44.3%	42.9%	44.2%	41.5%	43.1%	43.8%	45.9%
Other income	-	-	-	-	-	1,739	-	-
Other expense	-	-	-	-	-	(1,885)	-	-
<b>EBITDA</b>	\$ 7,102	\$ 7,000	\$ 6,392	\$ 6,447	\$ 6,121	\$ 5,865	\$ 6,018	\$ 5,918
<i>EBITDA margin</i>	30.1%	31.5%	28.1%	29.5%	27.8%	28.1%	28.9%	29.5%
<b>Net earnings/(loss)</b>	\$ 2,516	\$ 780	\$ 116	\$ 707	\$ 414	\$ (73)	\$ 246	\$ 191
Net earnings per unit, basic and diluted	\$ 0.18	\$ 0.06	\$ 0.01	\$ 0.06	\$ 0.03	\$ (0.01)	\$ 0.02	\$ 0.02
<b>Distributions declared</b>								
Trust units	\$ 2,740	\$ 2,740	\$ 2,491	\$ 2,491	\$ 2,492	\$ 2,492	\$ 2,492	\$ 2,271
Exchangeable partnership units	1,562	1,562	1,811	1,811	1,811	1,811	1,811	2,032
	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,303	\$ 4,303	\$ 4,303	\$ 4,303
<b>Distributions declared per unit, basic and diluted</b>	\$ 0.3450	\$ 0.3450	\$ 0.3450	\$ 0.3450	\$ 0.3450	\$ 0.3450	\$ 0.3450	\$ 0.3450

### **Liquidity and Capital Resources**

DirectCash believes that the funds generated from operations will be sufficient to allow DirectCash to meet ongoing requirements for working capital, maintenance capital expenditures including investments in technology capital, interest expense, and cash distributions to Unitholders. DirectCash's actual cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors.

As of March 31, 2009, DirectCash utilized approximately \$37.6 million of a total available credit facility of \$60.0 million. A summary of DirectCash's available credit at March 31, 2009 is as follows:

<i>(thousands)</i>	<b>Utilized</b>	<b>Limit</b>	<b>Available</b>
Revolving credit facility	\$ 6,828	\$ 20,000	\$ 13,172
Acquisition credit facility	30,800	40,000	9,200
	<b>\$ 37,628</b>	<b>\$ 60,000</b>	<b>\$ 22,372</b>

In addition to the revolving credit facility is a US\$ 1.0 million (CDN\$ 1,260,200) letter of credit in favour of MasterCard International. The letter of credit pertains to DirectCash's prepaid MasterCard program. The revolving credit facility is demand in nature and is utilized for ATM cash loading, working capital requirements and commercial letters of credit. The revolving credit facility bears interest at the bank's prime lending rate.

The acquisition credit facility is utilized to facilitate acquisitions and to fund business growth opportunities as required in new locations. The acquisition credit facility is demand in nature and bears interest at the bank's prime lending rate or at banker's acceptance rates plus 1.4% per annum. Notwithstanding the demand nature of the facility, there are no scheduled principal repayments. Depending upon interest rates and future capital requirements, all or a portion of the acquisition credit facility could be repaid via a public offering of DirectCash securities.

For the three months ended March 31, 2009, DirectCash operated within DirectCash's loan covenant limits and anticipates that DirectCash will continue to do so in the future. Breach of DirectCash's bank loan covenants could result in the triggering of remedies by DirectCash's lenders, which could ultimately result in the curtailing of distribution payments.

### **Changes in Capital Structure**

There were no changes in capital structure during the three months ended March 31, 2009.

### **Significant Customers**

DirectCash had two customers which accounted for approximately 18% and 11% respectively, of DirectCash's overall revenues for the three months ended March 31, 2009 (Q1 2008, two customers – 16% and 10% respectively). The revenues from these customers are spread across all lines of business. DirectCash has long-term contractual agreements to provide services to these customers.

### **Off Balance Sheet Arrangements**

As at March 31, 2009 DirectCash has not entered into any off balance sheet arrangements.

### **New Accounting Policies**

Effective January 1, 2009, DirectCash adopted the new recommendations of the CICA Handbook for Section 3064 Goodwill and Intangible Assets replacing Section 3062, Goodwill and Other Intangible Assets. There was no material impact of the change in accounting policy to the financial statements for the three months ended March 31, 2009.

The CICA plans to adopt International Financial Reporting Standards ("IFRS) over a transition period expected to end in 2011. The Fund has not completed a full review of the impact to the Fund on the transition and adoption of IFRS as at March 31, 2009. DirectCash will conduct a formal appraisal and report on developments and DirectCash's progress and timing of the change over and the key elements that will be impacted starting in the second half of 2009.

### **Outlook**

DirectCash believes it is well positioned with a strong balance sheet and a steady cash flow stream based on long term contracts. DirectCash's focus for 2009 will be to continue to grow the business in a reasonable and sustainable manner via organic means and through accretive acquisitions as opportunities arise.

In the ATM business emphasis continues to be on the streamlining of DirectCash's operations as well as continuing to pursue organic growth opportunities within Canada and geographic expansion outside of Canada, such as Mexico. DirectCash's focus in 2009 is to add to the initial growth of DirectCash's ATM business in Mexico. High quality accretive acquisitions will be pursued using our available credit facility and access to capital markets. As a result of recent announcements regarding the H1N1 virus (swine flu) outbreak, DirectCash expects business operations to experience lower transactional volumes than would be normally expected for this time of year in Mexico, because the majority of DirectCash's ATM locations are centered around tourist locations.

In the Prepaid products line of business DirectCash will continue to emphasize the diversification of DirectCash's Prepaid products line of business, both in terms of product offerings such as Prepaid MasterCard and in terms of the number of customers DirectCash serves in order to reduce DirectCash's dependence on a small group of large volume customers.

DirectCash will continue to organically grow the Debit terminal business via cross selling to existing customers and through the pursuit of new customer relationships.

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior DirectCash 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 at the end of the reporting period covered (i.e. Q1 2009), DirectCash management evaluated the effectiveness of the design and operation of its disclosure controls and procedures and have concluded that the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, "Certification of Disclosure in Issuers Annual and Interim Filings" are not effective to ensure that material information relating to the Fund (i.e. DirectCash) is made known to management of DirectCash on a timely basis and is included in the Fund's public disclosures due to the weaknesses in internal control identified below.

**Internal Control over Financial Reporting**

The Fund's financial reporting procedures and practices have enabled the certification of the Fund's annual filings in accordance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". DirectCash has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian GAAP, except as noted below.

Given the relatively small size of the Fund, during the evaluation of the design of internal controls over financial reporting DirectCash identified a lack of segregation of duties and in-house expertise to deal with complex taxation, accounting, reporting, IT and legal issues due to a limited number of employees dealing with accounting and financial matters. However, DirectCash has concluded that considering the employees involved and the compensating control procedures in place, including management and Audit Committee oversight, and the fact that DirectCash will engage outside expertise in IT, legal and tax issues as required, risks associated with such lack of segregation of duties and in-house expertise are not significant enough to justify further measures. The Fund has reported on the operating effectiveness of DirectCash's internal controls over financial reporting in the new Form 52-109F1 Certification of Interim Filings full certificate for the interim period ended March 31, 2009.

There have been no significant changes to the Fund's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that disclosures and financial information is accurate and complete.

## **Key Business Risks**

### ***Regulatory Regime***

DirectCash is dependent upon the continuation of a favourable regulatory regime with respect to the continuing operations and the future growth and development of independent ATM, Debit terminal and Cash Card operators.

Should the regulatory regime or the interpretation of the legislation in an applicable jurisdiction be modified in a manner which adversely affects these businesses, including increases in taxes or increased regulatory burdens and security requirements (including burdens imposed by Interac, Cirrus, Maestro, Canadian Payments Association, Visa and Plus), DirectCash's distributable cash flow may be adversely affected. The failure to obtain all necessary licences or permits, including renewals thereof or modifications thereto, may adversely affect Distributable Cash.

If Interac, MasterCard or VISA mandate a hardware or software security upgrade for ATMs, Debit terminals or the DirectCash Switch, or change the rules and regulations around approved devices, members or security, Distributable Cash may be adversely impacted.

Security upgrades are required under Interac, MasterCard, and Visa rules. These upgrades include the requirements to have: (a) EMV (Europay, MasterCard, Visa) certified chip card (the replacement technology for the historical magnetic stripe cards) software/readers, and (b) network approved encrypted PIN pad ("EPP") devices, installed on all ATMs and debit terminals thereby providing the ability to accept EMV chip card transactions. This will also require upgrading the DirectCash Switch to process EMV chip card transactions and adding additional encryption methods to ATMs and Debit terminals which include Triple Des Encryption.

The result of non-compliance is contractual penalties by the applicable Network(s) and ultimately disconnection of the ATM and Debit terminal device or card from the Network for failure to comply by the end dates. DirectCash has and will be investing maintenance capital and prioritizing DirectCash's IT department to meet these upgrade deadlines. Customers of DirectCash who own their own equipment are encouraged to make the necessary changes to their equipment and in some cases DirectCash has the contractual right to make the necessary changes for the customer (and charge the customer for the cost of the change).

### ***Payday Loan Companies***

The majority of the customers for DirectCash's Cash Cards are payday loan and cheque cashing companies, and this industry is currently subject to a large number of class action lawsuits and regulatory inquiries which could adversely impact the volume of business that DirectCash realizes from these companies. Card Capital Inc. (one of the predecessors from whom DirectCash acquired the Cash Card assets) has been named as a defendant in one class action lawsuit which is being actively defending and which DirectCash believes has no merit. Card Capital Inc. is indemnified for this claim pursuant to its merchant agreement with the payday loan provider who has been named as a party to this lawsuit. DirectCash has a payday loan customer which accounts for over 18% of DirectCash's overall revenues.

**Network and Internal Fraud**

If a fraud occurs on any of the networks DirectCash connects to or in the DirectCash network, this could result a cost to DirectCash if it is determined that the breach is a result of DirectCash's negligence or failure to follow network rules or regulations (or where the fault is not DirectCash's but the perpetrator of the fraud cannot be located or cannot be collected from). As new methods of intrusion and fraud emerge in the industry, DirectCash may have to incur significant additional costs to implement additional security precautions (which may be undertaken by DirectCash voluntarily or as a result of network rule changes). Furthermore, the occurrence of frauds can result in a loss of consumer confidence which may result in declining transaction volumes at ATMs and Debit Terminals. Any of these circumstances could lead to DirectCash' cash flow being adversely impacted.

**Disaster Recovery**

DirectCash has a limited Disaster Recovery Site in DirectCash's Toronto office, and it may not be possible to effectively transition on a timely basis all of DirectCash operations and functions to the Toronto facility in the event of disaster or equipment failure. DirectCash maintains redundancy in DirectCash's Calgary facility which includes a backup generator and UPS device.

**Software Viruses and Network Intrusion**

DirectCash maintains many different networks and management information systems (some of which are interconnected) and some of which are connected to the internet or to other external networks. DirectCash may be susceptible to viruses and network intrusions by third parties.

For a discussion of additional business risks, see "Risk Factors" detailed in the Annual Information Form dated March 16, 2009 available on SEDAR ([www.sedar.com](http://www.sedar.com)).

**Additional Information**

Additional information about the Fund, including the Fund's Annual Information Form and other public filings is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Fund's website ([www.directcash.net](http://www.directcash.net)).

End of 2009 Q1 MD&A