

Condensed Consolidated Interim Financial Statements



For the Three and Nine Months Ended September 30, 2014

(unaudited)

DirectCash Payments Inc.
Condensed Consolidated Interim Statements of Financial Position
Canadian dollar in thousands (unaudited)

As at:	Notes	September 30, 2014	December 31, 2013
Assets			
Current assets:			
Cash in circulation	9	\$ 8,369	\$ 44,258
Cash	9	7,917	6,630
Restricted funds		7,112	4,817
Trade and other receivables		18,401	13,631
Inventories		10,016	8,615
Prepaid expenses		3,721	2,654
		55,536	80,605
Non-current assets:			
Other assets		362	521
Investment	11	1,728	-
Property and equipment		43,990	51,923
Intangible assets		116,414	140,180
Goodwill		168,127	165,137
Deferred tax asset		4,366	4,250
		334,987	362,011
		\$ 390,523	\$ 442,616
Liabilities and Shareholders' Equity			
Current liabilities:			
Restricted funds liability		\$ 7,112	\$ 4,817
Trade and other payables		40,876	35,883
Other current liabilities		12,363	12,601
Current portion of long-term debt	4	1,323	11,615
		61,674	64,916
Non-current liabilities:			
Other liabilities		1,800	643
Long-term debt	4	195,021	231,789
Deferred tax liability		23,666	28,827
		220,487	261,259
Shareholders' equity:			
Share capital	6	271,863	271,863
Shares held in trust	6	(1,606)	(2,035)
Contributed surplus		2,049	2,275
Foreign currency translation reserve		(12,482)	(20,080)
Deficit		(151,462)	(135,654)
Equity attributable to common shareholders		108,362	116,369
Non-controlling interests		-	72
Total Shareholders' equity		108,362	116,441
		\$ 390,523	\$ 442,616

See accompanying notes to the condensed consolidated interim financial statements
Subsequent event (Note 11)
Legal matters (Note 13)

DirectCash Payments Inc.**Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)***Canadian dollar in thousands (except per share amounts) (unaudited)*

		For the three months ended		For the nine months ended	
	Notes	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue		\$71,742	\$58,717	\$208,917	\$175,958
Expenses					
Cost of sales		36,027	29,110	100,839	87,150
Personnel expenses		9,546	6,820	29,023	20,770
Other expenses		5,464	3,765	15,363	11,615
Vault cash rental costs	5,10	2,456	2,053	7,085	6,905
Realized loss (gain) on foreign exchange	9	207	(386)	404	(259)
EBITDA		18,042	17,355	56,203	49,777
Other gains		-	-	(3,963)	-
Depreciation of property and equipment	10	4,066	3,607	12,650	11,606
Amortization of intangible assets	10	9,249	8,417	28,347	26,468
Finance costs	4	4,423	5,020	14,916	14,420
Unrealized loss (gain) on foreign exchange	9	(2,278)	538	1,580	(2,848)
Net income (loss) before income taxes		2,582	(227)	2,673	131
Current income tax expense		1,051	1,978	6,407	4,644
Deferred income tax benefit		(787)	(2,013)	(6,286)	(5,866)
		264	(35)	121	(1,222)
Net income (loss)		\$2,318	\$(192)	\$ 2,552	\$ 1,353
Other comprehensive income (loss)					
Foreign currency translation on investments in foreign operations		(6,693)	(49)	7,598	(16,967)
Other comprehensive income (loss)		\$(4,375)	\$(241)	\$10,150	\$(15,614)
Net income (loss) attributable to:					
Common shareholders of the Company		2,318	(205)	2,552	1,335
Non controlling interests		-	13	-	18
Net income (loss)		\$2,318	\$(192)	\$2,552	\$1,353
Net income (loss) attributable to common shareholders					
Basic	6	\$ 0.13	\$(0.01)	\$0.15	\$0.08
Diluted	6	\$ 0.13	\$(0.01)	\$0.15	\$0.08

See accompanying notes to the condensed consolidated interim financial statements

DirectCash Payments Inc.
Condensed Consolidated Interim Statements of Cash Flows
Canadian dollar in thousands (unaudited)

<i>For the nine months ended:</i>	Notes	September 30, 2014	September 30, 2013
Cash provided by (used in):			
Operations:			
Net income		\$ 2,552	\$ 1,353
Add (deduct) items not involving cash:			
Income taxes		121	(1,222)
Unrealized loss (gain) on foreign exchange	9	1,580	(2,848)
Share-based compensation		963	1,153
Finance costs	4	14,916	14,420
Other		139	298
Depreciation and amortization		40,997	38,074
Changes in non-cash working capital	12	2,738	(5,315)
Paid to EPSP trustee	6	(760)	(1,200)
Income taxes paid, net		(6,565)	(875)
Net cash generated from operating activities		56,681	43,838
Investing:			
Acquisition of property and equipment		(3,401)	(2,218)
Acquisition of intangible assets		(891)	(517)
Other investments		(1,728)	(216)
Changes in non-cash working capital relating to investing activities		(2,500)	
Net cash used in investing activities		(8,520)	(2,951)
Financing:			
Long-term debt repayment		(22,078)	(13,066)
Revolving facility repayments, net of advances		(27,392)	-
Interest paid	12	(15,397)	(15,311)
Dividends to shareholders	7	(18,293)	(17,222)
Net cash used in financing activities		(83,160)	(45,599)
Decrease in cash and cash equivalents		(34,999)	(4,712)
Cash and cash equivalents, beginning of period		50,888	28,451
Foreign exchange (loss) gain on cash held in foreign currency		397	(186)
Cash and cash equivalents, end of period		\$ 16,286	\$ 23,553
Cash and cash equivalents is comprised of:			
Cash in circulation	9	8,369	37,612
Cash (bank overdraft)	9	7,917	(14,059)
		\$ 16,286	\$ 23,553

See accompanying notes to the condensed consolidated interim financial statements

DirectCash Payments Inc.
Condensed Consolidated Interim Statements of Changes in Equity
Canadian dollar in thousands (unaudited)

	<i>Notes</i>	Share Capital \$	Shares held in trust (by EPSP Trustee) \$	Contributed surplus (current and unvested EPSP) \$	Foreign currency translation reserve \$	Deficit \$	Non- controlling interests \$	Total \$
As at December 31, 2013		271,863	(2,035)	2,275	(20,080)	(135,654)	72	116,441
Net income		-	-	-	-	2,552	-	2,552
Foreign currency translation on investments in foreign operations		-	-	-	7,598	-	-	7,598
Share based payment transactions (EPSP)		-	429	(226)	-	-	-	203
Non-controlling interest		-	-	-	-	22	(72)	(50)
Dividends	7	-	-	-	-	(18,382)	-	(18,382)
As at September 30, 2014		271,863	(1,606)	2,049	(12,482)	(151,462)	-	108,362
As at December 31, 2012		257,302	(1,914)	2,342	(1,794)	(112,318)	-	143,618
Net income		-	-	-	-	1,335	18	1,353
Foreign currency translation on investments in foreign operations		-	-	-	(16,967)	-	-	(16,967)
Share based payment transactions (EPSP)		-	129	(175)	-	-	-	(46)
Non-controlling interest		-	-	-	-	(216)	46	(170)
Dividends	7	-	-	-	-	(17,222)	-	(17,222)
As at September 30, 2013		257,302	(1,785)	2,167	(18,761)	(128,421)	64	110,566

See accompanying notes to the condensed consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2014 and 2013 (unaudited)
(Tabular amounts in thousands of Canadian dollars, except as noted)

1. Corporate information

DirectCash Payments Inc. (“DCPayments” or the “Company”) is a publicly traded corporation incorporated and domiciled in Alberta, Canada. The condensed consolidated interim financial statements comprise those of DCPayments and its subsidiaries and wholly-owned limited and general partnerships. The Company’s registered head office is located at #6, 1420 – 28 Street N.E., Calgary, Alberta.

DCPayments is a payments service provider with a focus on building long term contracted recurring revenue through the deployment, transaction processing, operation and servicing of its automated banking machines (“ATMs”) and payment services. The Company operates ATMs worldwide with operations in Canada, Australia, New Zealand, the United Kingdom, and Mexico. DCPayments also provides other services including prepaid debit and credit cards and processing, debit terminal transaction processing and related prepaid telecommunication card sales and, commencing in 2013, credit union and other financial institution processing and outsourcing services.

On November 1, 2013, DCPayments completed the acquisition of all of the issued and outstanding shares of Threshold Financial Technologies Inc. (“Threshold”). In addition to ATM services, the Company provides switch and card transaction processing services and other managed services to credit unions and financial institutions across Canada. The end-to-end payment solutions provided to these customers enables them to outsource their debit and ATM card processing and compete with services similar to those offered by larger banks.

These condensed consolidated interim financial statements have been prepared by management from the historical records of DCPayments and its subsidiaries.

2. Basis of presentation

Statement of compliance

The condensed consolidated interim financial statements for the three and nine months ended September 30, 2014 have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2013 which were prepared in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 12, 2014.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost basis, except for the interest rate swap and foreign exchange contracts which are measured at fair value.

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Additional GAAP Measure

DCPayments has presented earnings before interest, taxes, depreciation and amortization (“EBITDA”) as a subtotal in its consolidated statement of operations. EBITDA is an important measure utilized by management in assessing the financial performance of the Company relative to its operating plans and budgets. It is also the measurement utilized by the holders of the Company’s long-term debt, as described in note 4, in calculating financial covenants. The Company has presented EBITDA prior to unrealized foreign exchange gains and losses and non-recurring other gains. The Company utilizes this presentation of EBITDA because it is consistent with the definitions under DCPayments’ credit facility agreement.

Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013. Although these estimates are based on management’s best approximation of the amount, event or actions, actual results ultimately may differ from those estimates.

3. Significant accounting policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies as the audited consolidated financial statements for the year ended December 31, 2013, except as noted below. The accounting policies have been applied consistently by the Company to all periods presented in these condensed consolidated interim financial statements.

The Company has adopted the following relevant new and amended standards effective January 1, 2014:

- *IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – Financial Instruments Presentation.* The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.
- *IFRIC 21 Levies* – In May 2013, the IFRIC provided guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation clarifies the recognition requirements concerning a liability to pay a levy imposed by a government, other than an income tax. The interpretation clarifies that the obligating event which gives rise to a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation.

The above accounting standards were applied retrospectively. The adoption of these standards did not have a material impact on the condensed consolidated interim financial statements.

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(Tabular amounts in thousands of Canadian dollars, except as noted)

4. Long-Term Debt

The Company's long-term debt consists of the following:

	<i>Note</i>	<i>Principal</i>	September 30, 2014	December 31, 2013
Term Loan, due June 28, 2017	4(a)	\$41.0m Cdn	\$41,013	\$60,041
	4(a)	\$7.0m A\$	6,805	9,663
Unsecured Senior Notes, due August 8, 2019	4(b)	\$125.0m Cdn	125,000	125,000
Minimum finance lease payments, due 2015-2017		£0.2m GBP	305	428
		\$0.3m Cdn	344	-
Revolving credit facility, due June 28, 2017	4(a)	\$25.7m Cdn	25,667	46,908
	4(a)	\$3.9m A\$	3,800	9,496
Total			\$202,934	\$251,536
Less: interest on finance leases			(21)	(39)
Unamortized transaction costs			(6,569)	(8,093)
			\$196,344	\$243,404
Current portion of long-term debt			(2,132)	(12,555)
Current portion of unamortized transaction costs			809	940
Long-term debt			\$195,021	\$231,789

a. Senior Secured Facilities

In order to fund acquisition opportunities and operate the ongoing business, DCPayments has established a credit facility with a syndicate of lenders (the "Syndicate"). The facility includes a Revolving Facility and a Term Loan.

Under the credit facility, DCPayments is subject to certain financial covenants as follows (terms as defined in the credit facility): (i) Senior Secured Debt Leverage must be less than or equal to 2.25 times EBITDA, which steps down to 2.0 times on January 1, 2016; (ii) Total Debt Leverage must be less than or equal to 3.5 times EBITDA; and (iii) the ratio of EBITDA less unfunded capital expenditures, dividends and cash taxes to interest expense and scheduled principal payments on funded debt (the "Fixed Charge Coverage Ratio") must be greater than or equal to 1.25 times EBITDA, which steps up to 1.35 times on January 1, 2015. Debt as defined includes amounts outstanding under letters of credit and is reduced by certain cash and cash equivalents. EBITDA, as defined, is adjusted for pro-forma adjustments related to business acquisitions that occur during the relevant calculation period and certain other non-cash charges. Amounts drawn and expenses paid on the Company's vault cash rental agreements (Note 5) are not considered debt, and therefore are not applicable in making the foregoing calculations. As at September 30, 2014, DCPayments was in compliance with all applicable covenants and ratios under the facility.

The interest rate applicable to amounts borrowed under the credit facility is based on the Prime, LIBOR or BA rates in Canada (BBSY rate in Australia) plus an applicable margin, adjusted quarterly based on the Total Debt Leverage ratio for the preceding quarter. Additionally, DCPayments is required to pay a commitment fee on the unused portion of the Revolving Facility.

Notes to the Condensed Consolidated Interim Financial Statements

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On an annual basis, until such time as the ratio of consolidated funded debt to consolidated EBITDA is less than or equal to 2.75, the Company is required to repay outstanding advances to the extent of 50% of excess cash flow (as defined in the credit facility) for the previous year. Such repayment, if required, is due within 120 days of the Company's year end.

Substantially all of the Company's assets, including the shares of its material subsidiaries (as defined in the credit facilities) and partnership interests are pledged to secure borrowings made under the senior facilities.

Term Loan

During the nine months ended September 30, 2014, the Company repaid \$19.0 million and A\$ 3.2 million on its term loan (September 30, 2013 - \$11.1 million and A\$ 1.9 million). Under the terms of this facility, 50% of the loan amortizes over five years in escalating quarterly instalments commencing February 28, 2013 and matures on June 28, 2017. As at September 30, 2014, only \$5.7 million of the term loan amortization prior to maturity remains, including \$1.9 million for the succeeding 12 months.

The average interest rate on the Company's Term Loan for the nine months ended September 30, 2014 was 5.25% on the Canadian tranche and 5.94% on the Australian dollar denominated tranche (September 30, 2013 – 5.25% and 6.31%, respectively).

Revolving Facility

DCPayments has a \$115 million five-year revolving credit facility available for general corporate purposes, maturing June 28, 2017 of which \$33.4 million was utilized as at September 30, 2014. The Company has posted letters of credit totalling approximately \$4.0 million (US\$ 3.0 million and A\$ 0.6 million) in connection with third-party contracts in Canada and Australia. These letters of credit reduce the Company's borrowing capacity under the revolving facility. Unamortized transaction costs include those related to the revolving credit facility which were previously classified as prepaid expenses and other assets.

The average interest rate on the Company's Revolving Facility for the nine months ended September 30, 2014 was 5.25% on the Canadian tranche and 5.21% on the Australian dollar denominated tranche (September 30, 2013 – 5.25% and nil%, respectively).

b. Unsecured Senior Notes

DCPayments has \$125 million aggregate principal amount of seven year unsecured senior notes (the "Notes") outstanding, maturing on August 8, 2019. The Notes are direct senior unsecured obligations ranking pari passu with all other present and future senior unsecured indebtedness of DCPayments and bear interest at 8.125% per annum, payable semi-annually on February 8th and August 8th. The Notes contain no maintenance covenants. Pursuant to the terms of the indenture, the Company is limited on the amount of restricted payments, including dividends, which it can make, such restrictions being generally governed by a fixed charge coverage incurrence test and an overall restricted payments basket. The Notes are guaranteed by all of the Company's material subsidiaries and partnerships.

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c. Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	2014	2013
Unsecured senior notes	\$2,560	\$2,560	\$7,596	\$7,596
Term facility	648	969	2,299	3,214
Revolving facility	387	408	1,417	937
Amortization of transaction costs	419	606	1,525	1,527
Realized loss on interest rate swaps	197	126	513	217
Unrealized loss (gain) on interest rate swaps	(153)	119	751	262
Other	365	232	815	667
	\$4,423	\$5,020	\$14,916	\$14,420

5. Vault Cash Rental Agreements

DCPayments has vault cash rental agreements with large financial institutions for the supply of cash to ATMs owned by the Company in Canada, Australia and the United Kingdom. Under these agreements, cash is owned by the vault cash provider who contracts directly with or authorizes the Company, as agent, to contract with transaction acquirers, settlement agents and armoured car carriers. DCPayments does not have an ownership claim over the vault cash which is in all cases loaded into serviced ATMs by third party armoured car carriers.

Under the agreements, DCPayments pays a fee to the vault cash provider which is calculated using the total amount of vault cash in circulation at any given time and the number of notes supplied by the vault cash provider from time to time. Additionally, under the Australian agreement, the Company pays a fee for access to the available facility.

In Canada, the Company has access to up to \$100 million in vault cash. The agreement may be terminated by the provider or the Company with 180 days notice and expires November 1, 2018 with up to three one year renewal terms. The rental fee payable is based on the Canadian chartered bank's prime rate less a margin.

In Australia, the Company has access to up to A\$250 million in vault cash with a member of the Syndicate. The agreement expires February 28, 2015 and may be extended by the provider for one year, and if not extended, the facility remains available for 90 business days to allow the Company to arrange a replacement bailment provider. The rental fee is based on the BBSY rate plus a margin and the facility fee is on a fixed rate basis. Effective February 1, 2014 pursuant to a negotiated amendment agreement, the margin on the rental fee was reduced by 45 percent and the fixed facility fee was reduced by 50 percent compared to 2013 levels.

In the United Kingdom, the Company has access to £12 to £18 million in vault cash, which may be increased at the discretion of the provider for high volume months. The rental fee payable is based on the provider's base rate plus a margin.

The settlement of the cash asset and corresponding liability is through regulated clearing systems and

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as such a right of set-off exists. As a result of the above factors, such cash and the related obligations are not reflected in the consolidated financial statements. The amounts in circulation under these facilities was approximately \$219 million and \$218 million as of September 30, 2014 and December 31, 2013, respectively. Amounts in local currency are as follows:

As at:	September 30, 2014	December 31, 2013
Americas - Canadian dollars	\$ 59,950	\$ 35,382
Australasia – Australian dollars	\$ 135,863	\$ 161,719
Europe – GBP	£ 14,177	£ 16,413

6. Share capital

a. Authorized shares

DCPayments is authorized to issue (a) an unlimited number of common shares and (b) an unlimited number of preferred shares (issuable in series). As at September 30, 2014 and December 31, 2013, only common shares have been issued.

b. Issued and fully paid shares

DCPayments had 17,589,279 common shares outstanding as of September 30, 2014 and December 31, 2013 (September 30, 2013 – 16,639,279).

c. Shares held in trust by EPSP Trustee

The cumulative balance of shares held in trust by EPSP Trustee comprises the cost of common shares held by the Trustee under the employee profit sharing plan (“EPSP”) that have not become vested to the participants.

As at:	September 30, 2014	December 31, 2013
Balance, January 1	\$2,035	\$1,914
EPSP vested	(1,189)	(1,330)
Shares purchased and held by Trustee – EPSP	760	1,451
	\$1,606	\$2,035
Number of shares held by EPSP Trustee	80,923	90,201

d. Weighted average shares outstanding

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	2014	2013
Issued common shares	17,589,279	16,639,279	17,589,279	16,639,279
Effect of EPSP shares held in trust by Trustee	(79,334)	(76,673)	(84,059)	(80,151)
Weighted average number of shares (basic)	17,509,945	16,562,606	17,505,220	16,559,128
Weighted average number of shares (diluted)	17,589,279	16,639,279	17,589,279	16,639,279

Notes to the Condensed Consolidated Interim Financial Statements
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 (Tabular amounts in thousands of Canadian dollars, except as noted)

7. Dividends declared

The following dividends were declared by DCPayments during the periods indicated.

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	2014	2013
11.5-12.0 cents monthly per qualifying common share	\$6,245	\$5,741	\$18,382	\$17,222

Effective with the August 2014 dividend, the dividend rate was increased from 11.5 cents per share to 12.0 cents per share. DCPayments' policy is to pay dividends on or about the last day of each month to shareholders of record on the last business day of the preceding month. As a result, the September 2014 and 2013 dividends of approximately \$2.1 million and \$1.9 million, respectively (12.0 cents per share for 2014 and 11.5 cents per share for 2013) were declared and paid subsequent to the reporting period.

8. Related party transactions

DirectCash Bank

DCPayments is party to various service and marketing agreements with DirectCash Bank ("DC Bank"), in which DCPayments provides transaction processing and technology services to DC Bank and DC Bank provides services and products to DCPayments or its customers for a fee. All contracts are negotiated at market terms and rates. DC Bank is indirectly owned by two of the original principals of DCPayments, who continue to maintain significant ownership in the Company. One of DC Bank's significant shareholders (indirectly through a holding corporation) is also DCPayments' President and CEO. Any transactions between DCPayments and DC Bank are approved by independent directors.

During the three and nine months ended September 30, 2014, DCPayments paid approximately \$0.4 and \$1.2 million (2013: \$0.4 and \$1.2 million) of fees to DC Bank associated with various agreements with DC Bank. The related party balance payable to DC Bank at September 30, 2014 was approximately \$0.2 million (September 30, 2013: \$0.2 million).

On May 13, 2014 the Company entered into an agreement (the "Agreement") to acquire DC Bank through the acquisition of all of the issued and outstanding shares of DC Bank's sole shareholder, 6676405 Canada Ltd. ("6676405") for consideration of \$15 million, payable in the form of common shares of the Company issued from treasury at a price of \$13.9148 per share, which was equal to the 20 day volume-weighted average trading price of the common shares on the Toronto Stock Exchange as at the close of business on May 12, 2014. Accordingly, upon closing, the Company will issue 1,077,989 common shares to the shareholders of 6676405, subject to adjustment on account of a minimum net asset value of DC Bank as at closing. In accordance with the terms of the Agreement, the minimum net asset value of DC Bank as at closing must be approximately \$7.0 million. Closing of the transaction is subject to a number of regulatory, governmental and other approvals and consents, including the approval of the Minister of Finance (Canada) and the Toronto Stock Exchange, and is expected to occur on or about December 31, 2014. To September 30, 2014 DCPayments has incurred and deferred third party transaction costs in the amount of \$0.2 million, in respect of the Agreement.

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9. Financial instruments and risk management

The Company's financial instruments include its cash and cash equivalents, trade and other receivables, loans receivable, interest rate swaps, foreign exchange contracts, trade and other payables, other liabilities and long-term debt.

Fair value measurements for financial instruments

The fair values of financial instruments are determined with respect to the hierarchy that prioritizes the input to fair value measurement. In the absence of an active market, the Company determines fair value by using valuation techniques that refer to observable market data or estimated market process. Fair values are inherently judgmental, thus the estimated fair values do not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments. The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts.

The carrying value of cash and cash equivalents, trade and other receivables, loans receivable, trade and other payables and other liabilities approximate their fair values due to the relatively short-term nature of these balances.

The following table shows the detail of cash and cash equivalents items by currency:

As at September 30, 2014	CDN	AUD	GBP	Other	Total
Cash in circulation					
Cash inventory	\$268	\$-	\$-	\$1,276	\$1,544
Vault cash	3,313	1,366	62	2,084	6,825
Other					
Operating cash	158	2,448	4,192	1,119	7,917
Total cash and cash equivalents	\$3,739	\$3,814	\$4,254	\$4,479	\$16,286
As at December 31, 2013	CDN	AUD	GBP	Other	Total
Cash in circulation					
Cash inventory	\$8,138	\$-	\$-	\$1,507	\$9,645
Vault cash	31,407	1,210	45	1,951	34,613
Other					
Operating cash (bank overdraft)	(1,069)	3,234	3,010	1,455	6,630
Total cash and cash equivalents	\$38,476	\$4,444	\$3,055	\$4,913	\$50,888

The carrying amount of long-term debt relates to borrowings under the Company's credit facility, unsecured senior notes and obligations under finance leases. The carrying amount of borrowings under the credit facility approximates fair value since borrowings are subject to short-term floating interest rates and the spread is consistent with the Company's current credit spreads. As at September 30, 2014, the fair value of the Company's unsecured senior notes was approximately \$128.1 million (December 31, 2013 - \$127.2 million) based on best available estimated quoted price. The fair value of the obligations under finance leases is determined by estimating future cash flows on a borrowing by borrowing basis, and discounting these future cash flows using the effective interest rate.

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The following table shows the comparison of the carrying and fair values of the Company's other financial instruments:

	Level (Note 4)	September 30, 2014		December 31, 2013	
		Carrying value	Fair value	Carrying value	Fair value
Interest rate swaps, liability ⁽¹⁾	2	\$1,359	\$1,359	\$625	\$625
Foreign exchange contracts, liability (asset) ⁽²⁾	2	(87)	(87)	45	45
Long-term debt ⁽³⁾	2	202,913	206,038	251,497	253,697

(1) Included in other non-current liabilities and the unrealized loss is reported in finance costs.

(2) Included in Trade and other receivables (asset) or other current liabilities (liability) and the unrealized (gain) loss is reported in unrealized (gain) loss on foreign exchange.

(3) Long-term debt includes the current and long-term portions of long-term debt.

(4) The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Level 1 – inputs are unadjusted quoted prices in identical instruments in active markets; Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of these instruments.

Risk exposures

The Company is exposed to certain risks relating to its ongoing business operations. DCPayments' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Foreign currency risk:

DCPayments is exposed to foreign currency fluctuations primarily as a result of its investments in Australasia, the United Kingdom and Mexico. The Company also had outstanding term and revolving loans denominated in Australian dollars and owns cash in circulation in New Zealand dollars and in Mexico denominated in both Peso and US dollars. The Company enters into foreign exchange contracts to hedge its exposure to the foreign currency risks in addition to utilizing the Australian dollar denominated debt as a natural hedge. The following table summarizes the change in the Australia exchange rate for the periods presented:

	2014	2013
Opening rate, January 1	0.9496	1.0339
Closing rate, September 30	0.9790	0.9607
Average rate – three months ended September 30	1.0066	0.9515
Average rate – nine months ended September 30	1.0045	1.0042

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The Company held the following Australian dollar foreign exchange contracts as at September 30, 2014:

- Fixed rate forward contracts to sell A\$3.4 million at a weighted average price of \$0.9767, to settle October through December, 2014;
- Fixed rate forward contracts to sell A\$1.5 million at a weighted average price of \$0.97, to settle October through December, 2014;
- Fixed rate forward contracts to sell A\$1.5 million at a weighted average price of \$1.00, to settle January through March, 2015;
- Fixed rate forward contracts to sell A\$1.5 million at a weighted average price of \$1.0025, to settle April through June, 2015.

As at September 30, 2014, the fair value of the Company's foreign exchange contracts was an asset of approximately \$0.1 million (December 31, 2013 – a liability of \$0.1 million). The fair value of the foreign exchange contracts are based on pricing models where the inputs include forward curves, volatility estimates and discount rates (level 2 inputs).

The following table discloses the Company's unrealized and realized gains and losses, primarily attributed to Australian dollar transactions, for the periods indicated:

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	2014	2013
Unrealized loss (gain):				
Australian dollar currency hedges	\$(345)	\$357	\$(133)	\$(42)
Debt denominated in Australia dollars ⁽¹⁾	(1,913)	127	1,746	(2,763)
Other foreign currency assets and liabilities	(20)	54	(33)	(43)
	\$(2,278)	\$538	\$1,580	\$(2,848)
Realized loss (gain):				
Australian dollar currency hedges	\$183	\$(148)	\$660	\$(217)
Repayment of debt denominated in Australia dollars ⁽¹⁾	31	(238)	(31)	(42)
Other foreign currency assets and liabilities	(7)	-	(225)	-
	\$207	\$(386)	\$404	\$(259)

(1) Includes foreign exchange on both the Term Loan and Revolving Credit Facility (Note 4) and on intercompany balances between the Company and its Australian subsidiary which are designated as short term in nature and translated through net income (loss).

Interest rate risk:

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

DCPayments is exposed to interest rate risk on its revolving credit facility and term credit facility which are subject to variable interest rates. The Company has not entered into interest rate swaps or other financial arrangements that mitigate this exposure to interest rate fluctuations.

The Company is also exposed to interest rate risk on its vault cash rental facilities. As at September 30, 2014 the Company held two interest rate swaps: January 31, 2014 to October 31, 2015 – A\$50 million at a 3.28% fixed BBSY rate and April 30, 2014 to April 28, 2017 – A\$50 million at a 3.66% fixed BBSY rate.

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As at September 30, 2014, the fair value of the Company's interest rate swaps was a liability of approximately \$1.4 million (December 31, 2013 - \$0.6 million). The fair value of the interest rate swaps is based on pricing models where the inputs include forward curves, volatility estimates and discount rates (level 2 inputs).

Credit risk:

Credit risk is the risk of an unexpected loss if a counterparty fails to meet its contractual obligations. The carrying amount of the financial assets represents the maximum credit exposure.

Credit exposures can arise, normally for a short period of time as the Company depends on its customers to pay for products and services. DCPayments' contracts typically provide for the ability to settle ATM and point of sale transactions directly to the benefit of the Company, which substantially reduces the credit risk of trade and loans receivable. As at September 30, 2014, the total provision for uncollectible amounts was \$0.7 million and the Company had \$1.6 million in outstanding trade receivables over 90 days that it considers not impaired.

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

Liquidity risk:

DCPayments may be exposed to liquidity risk if it is unable to collect its trade receivables balances on a timely basis, which in turn could impact the ability to meet commitments under its long-term debt agreements. The Company'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. The following table shows the maturities of the Company's financial liabilities:

<i>As at September 30, 2014</i>	Total	Within		
		1 year	2-5 years	6-7 years
Trade and other payables	\$ 40,876	\$ 40,876	\$ -	\$ -
Long-term debt and interest obligations ⁽¹⁾	229,259	14,780	214,479	-
Other current liabilities	12,363	12,363	-	-
Other long-term liabilities	1,800	-	1,800	-
Revolving credit facility ⁽²⁾	\$ 29,467	\$ -	\$ 29,467	\$ -

(1) *Includes future interest obligations assuming current interest rates.*

(2) *Excludes future interest obligations.*

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10. Segment reporting

The Company's operations are segmented into the Americas (Canada and Mexico), Australasia (Australia and New Zealand) and Europe. Performance is measured based on revenues and gross profit. Cost of sales includes the costs of recurring services and products. Revenues and gross profits by geographic segment are as follows:

Revenue and gross profit

<i>Three months ended September 30, 2014</i>	Americas	Australasia	Europe	Total
Revenue				
ATM	\$18,979	\$29,727	\$10,825	\$59,531
Other Services	12,210	1	-	12,211
Revenue from external customers	31,189	29,728	10,825	71,742
Cost of sales				
ATM	10,066	14,052	7,492	31,610
Other Services	4,417	-	-	4,417
Total cost of sales	14,483	14,052	7,492	36,027
Gross profit				
ATM	8,913	15,675	3,333	27,921
Other Services	7,793	1	-	7,794
Total gross profit	\$16,706	\$15,676	\$3,333	\$35,715
<i>Three months ended September 30, 2013</i>	Americas	Australasia	Europe	Total
Revenue				
ATM	\$12,009	\$30,680	\$9,291	\$51,980
Other Services	6,655	113	(31)	6,737
Revenue from external customers	18,664	30,793	9,260	58,717
Cost of sales				
ATM	5,114	14,843	6,366	26,323
Other Services	2,795	18	(26)	2,787
Total cost of sales	7,909	14,861	6,340	29,110
Gross profit				
ATM	6,895	15,837	2,925	25,657
Other Services	3,860	95	(5)	3,950
Total gross profit	\$10,755	\$15,932	\$2,920	\$29,607

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 For the three and nine months ended September 30, 2014 and 2013 (unaudited)
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<i>Nine months ended September 30, 2014</i>	Americas	Australasia	Europe	Total
Revenue				
ATM	\$53,691	\$88,137	\$28,635	\$170,463
Other Services	38,446	8	-	38,454
Revenue from external customers	92,137	88,145	28,635	208,917
Cost of sales				
ATM	28,505	39,150	18,794	86,449
Other Services	14,354	-	36	14,390
Total cost of sales	42,859	39,150	18,830	100,839
Gross profit				
ATM	25,186	48,987	9,841	84,014
Other Services	24,092	8	(36)	24,064
Total gross profit	\$49,278	\$48,995	\$9,805	\$108,078

<i>Nine months ended September 30, 2013</i>	Americas	Australasia	Europe	Total
Revenue				
ATM	\$34,564	\$94,560	\$24,164	\$153,288
Other Services	22,186	403	81	22,670
Revenue from external customers	56,750	94,963	24,245	175,958
Cost of sales				
ATM	15,569	45,164	16,129	76,862
Other Services	10,081	103	104	10,288
Total cost of sales	25,650	45,267	16,233	87,150
Gross profit				
ATM	18,995	49,396	8,035	76,426
Other Services	12,105	300	(23)	12,382
Total gross profit	\$31,100	\$49,696	\$8,012	\$88,808

Depreciation and amortization expense

	Americas	Australasia	Europe	Total
<i>Three months ended September 30, 2014</i>	\$2,787	\$7,618	\$2,910	\$13,315
<i>Three months ended September 30, 2013</i>	2,638	7,245	2,141	12,024
<i>Nine months ended September 30, 2014</i>	\$9,259	\$22,978	\$8,760	\$40,997
<i>Nine months ended September 30, 2013</i>	7,874	22,830	7,370	38,074

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Vault cash rental costs

	Americas	Australasia	Europe	Total
Three months ended September 30, 2014	\$513	\$1,702	\$241	\$2,456
Three months ended September 30, 2013	-	1,888	165	2,053
Nine months ended September 30, 2014	\$1,145	\$5,230	\$710	\$7,085
Nine months ended September 30, 2013	-	6,449	456	6,905

Assets and liabilities

As at September 30, 2014	Americas	Australasia	Europe	Total
Non-current assets, excluding goodwill	\$47,475	\$108,143	\$11,242	\$166,860
Goodwill	68,540	99,587	-	168,127
Total assets	150,505	221,682	18,336	390,523
Total liabilities, excluding corporate liabilities	35,110	46,959	4,376	86,445
Corporate liabilities (long-term debt)				195,716

As at December 31, 2013	Americas	Australasia	Europe	Total
Non-current assets, excluding goodwill	\$53,911	\$124,143	\$18,820	\$196,874
Goodwill	68,540	96,597	-	165,137
Total assets	189,284	231,860	21,472	442,616
Total liabilities, excluding corporate liabilities	32,496	47,329	3,335	83,160
Corporate liabilities (long-term debt)				243,015

Reconciliation of segment gross profit to net income (loss) before taxes

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	2014	2013
Gross profit	\$35,715	\$29,607	\$108,078	\$88,808
Personnel expenses	(9,546)	(6,820)	(29,023)	(20,770)
Other expenses	(5,464)	(3,765)	(15,363)	(11,615)
Vault cash rental costs	(2,456)	(2,053)	(7,085)	(6,905)
Realized gain (loss) on foreign exchange	(207)	386	(404)	259
EBITDA	18,042	17,355	56,203	49,777
Other gains	-	-	3,963	-
Depreciation of property and equipment	(4,066)	(3,607)	(12,650)	(11,606)
Amortization of intangible assets	(9,249)	(8,417)	(28,347)	(26,468)
Finance costs	(4,423)	(5,020)	(14,916)	(14,420)
Unrealized gain (loss) on foreign exchange	2,278	(538)	(1,580)	2,848
Net income (loss) before income taxes	\$2,582	\$(227)	\$2,673	\$ 131

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11. Australia Acquisition

On October 31, 2014 the Company completed an acquisition of the ATM business of Ezeatm Limited (“Eze”) through its 100% owned subsidiary DC Payments Australasia Pty Ltd. The acquisition included all of the ATM business assets of Eze, including approximately 1,325 ATMs.

The acquisition was effected by acquiring a subsidiary of Eze, Ezeatm Services Pty Ltd, together with all of the assets of Eze which were related to or connected with the ATM business. The consideration for the acquisition was (1) cancellation of the Company’s 19.64% shareholdings in Eze, acquired in April, 2014 and (2) A\$ 11.6 million in cash and the assumption of working capital on closing. The working capital remains subject to customary adjustments between the parties which the Company expects to be settled within 90 days of closing.

The acquisition was financed through the Company’s Australian dollar denominated revolving credit facility. To September 30, 2014 DCPayments has incurred deferred transaction costs in the amount of A\$ 0.4 million, in respect of the acquisition.

In April 2014, the Company had acquired 19.6% of the outstanding common shares of Eze, a publicly traded Australian company for \$1.8 million. The acquisition was completed through a private purchase with certain shareholders. As the Company had determined that it did not have significant influence over Eze, the investment had not been subject to equity accounting in the consolidated financial statements for the three or nine months ended September 30, 2014.

12. Supplementary cash flow information

Changes in non-cash working capital:

<i>Nine months ended September 30:</i>	2014	2013
Trade and other receivables	\$(1,968)	\$2,039
Inventories	(1,199)	(1,783)
Prepaid expenses	(1,156)	87
Trade and other payables	7,151	(5,729)
Other	(90)	71
	\$2,738	\$(5,315)

Interest paid:

<i>Nine months ended September 30:</i>	2014	2013
Unsecured senior notes	\$10,156	\$10,156
Term facility	2,403	3,577
Revolving facility	1,681	933
Other	1,157	645
	\$15,397	\$15,311

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13. Legal matters

Given the nature of DCPayments' business, DCPayments has entered into a large number of contracts. Given the number of contracts, there is a small (but constant) amount of litigation where DCPayments is required to enforce its contractual rights to ensure revenue continuity. Also, in rare cases it faces litigation where competitors, customers, distributors, sales agents, employees or others have issued statements of claim or counter claims alleging some sort of breach in relation to DCPayments' agreements with them. It is a necessary part of DCPayments' business to enforce its contracts and defend these claims. However, none of these lawsuits are material in amount.

On August 20, 2013, DCPayments and DC Bank were added as named parties to a class action lawsuit previously filed against The Cash Store Financial Services Inc. ("CashStore") as it relates to payday loans and related fees in the province of Ontario. DCPayments has retained counsel on this matter and is contesting the claim. The Ontario Superior Court of Justice had originally set a schedule for the certification motion to be heard over five days in September of 2014, however as a result of the CCAA proceedings of CashStore, that motion has been adjourned until January of 2015.

On November 9, 2012, DCPayments in addition to CashStore and DC Bank were named in a class action lawsuit as it relates to payday loans and related fees in the province of Manitoba. DCPayments has retained counsel on this matter and is contesting the claim. The Manitoba Court of Queen's Bench had originally set a schedule for the certification motion to be heard over three days in November of 2014, however as a result of the CCA proceedings of CashStore, that motion has been adjourned and has not yet been rescheduled.