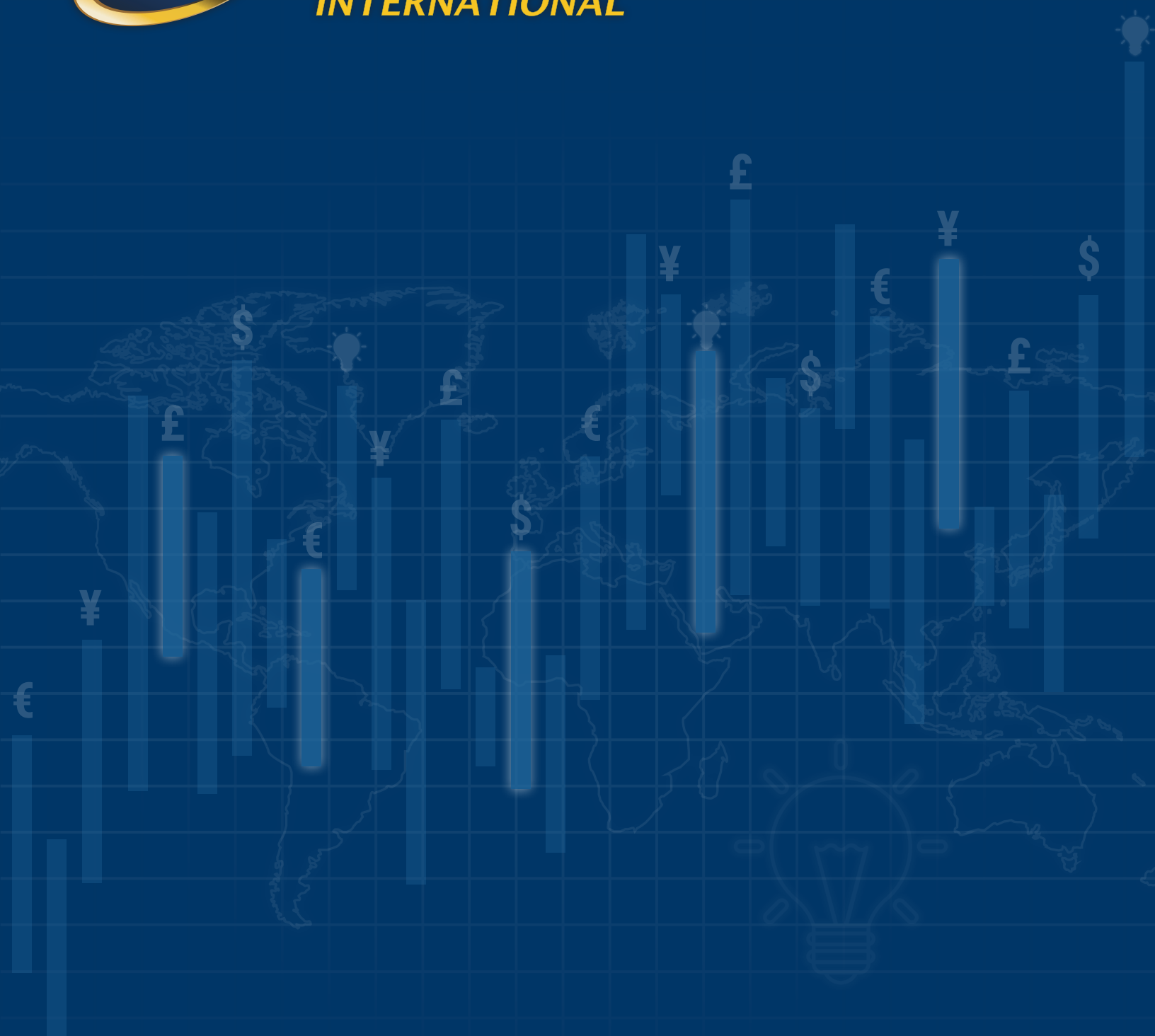


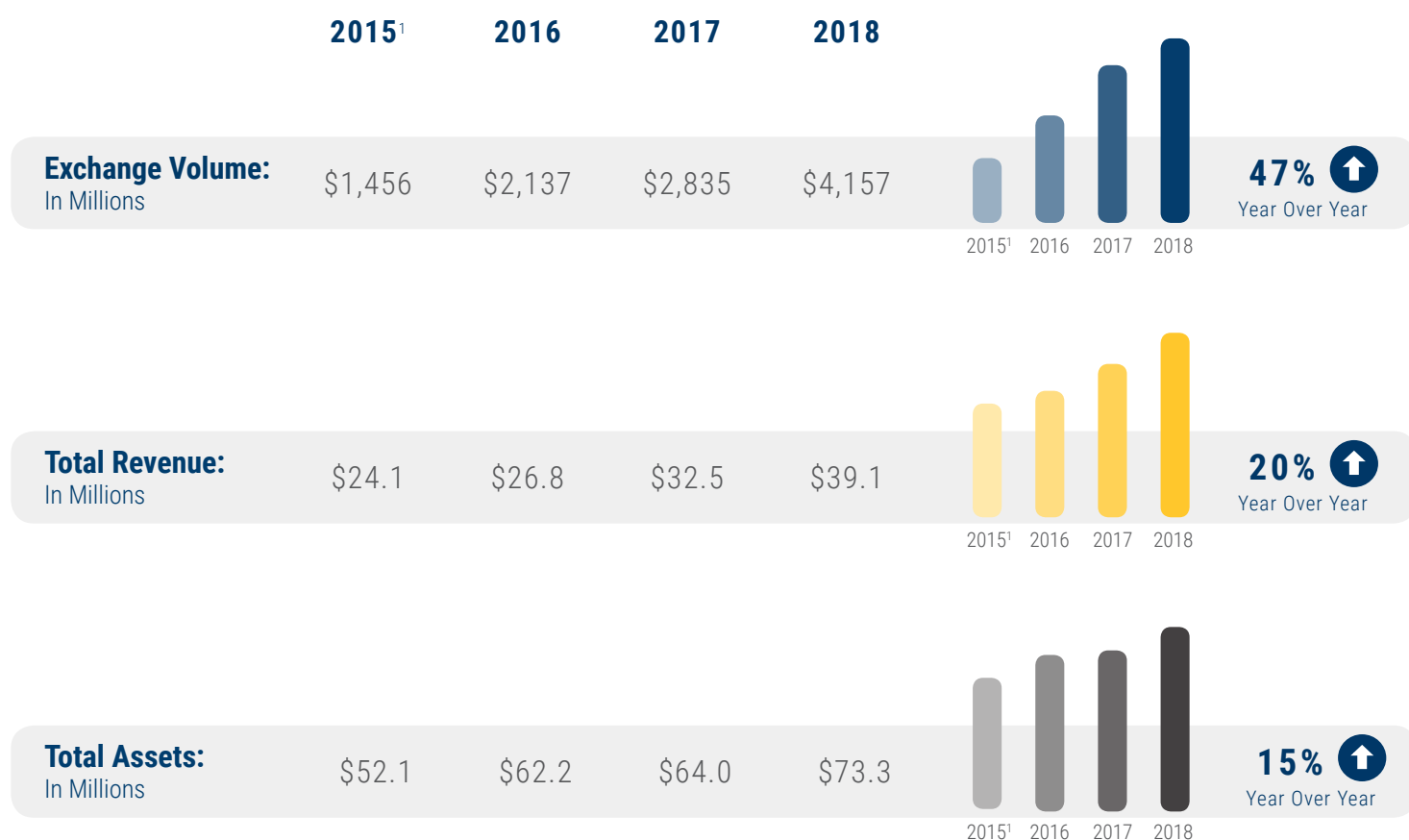


**CURRENCY EXCHANGE**  
**INTERNATIONAL**



ANNUAL  
REPORT | 2018

# Financial Highlights



All amounts in this report are stated in USD and are based on fiscal year end unless otherwise noted.

## Corporate Customers and Transacting Locations

|                                 | 2015 <sup>1</sup> | 2016   | 2017   | 2018   |
|---------------------------------|-------------------|--------|--------|--------|
| Company-Owned Branch Locations  | 36                | 38     | 41     | 43     |
| Wholesale Company Relationships | 521               | 928    | 977    | 1,337  |
| Transacting Locations           | 10,157            | 13,603 | 15,026 | 17,482 |

## Key Ratios

|                    | 2017   | 2018   |
|--------------------|--------|--------|
| Earnings Per Share | \$0.61 | \$0.67 |
| Return On Assets   | 6.0%   | 5.8%   |
| Return On Equity   | 6.8%   | 6.7%   |
| Operating Margin   | 24.4%  | 20.8%  |

## Quarterly Stock Price (TSX:CXI)

| Q1<br>Ended 1/31/2018 | Q2<br>Ended 4/30/2018 | Q3<br>Ended 7/31/2018 | Q4<br>Ended 10/31/2018 |
|-----------------------|-----------------------|-----------------------|------------------------|
| \$23.89               | \$30.01               | \$30.90               | \$27.90                |

TSX stock prices are quoted in Cdn\$

<sup>1</sup>Restatement made in fiscal year 2015 to correct the presentation of a gain on foreign exchange along with its corresponding income tax impact which was required to be presented under IFRS as other income. The foreign exchange gain was previously disclosed under comprehensive income with no corresponding tax provision. The restatement does not impact the Company's revenues, operating expenses, or net operating income.

# Message from the CEO



**Randolph W. Pinna**  
President and Chief Executive Officer

Dear CXI Shareholders, Customers, Employees and Friends,

I am pleased to present the progress and achievements of Currency Exchange International, Corp. for our year ended October 31, 2018.

## CXI's Growth in 2018

In fiscal year 2018, CXI completed many strategic milestones in pursuit of growing into a leading-edge international bank group focused on foreign exchange. These achievements set the foundation for CXI to implement and deliver innovative foreign exchange solutions by utilizing integrated technologies. CXI continued to expand its foreign currency exchange and international payments services, adding a record 360 new wholesale client companies representing more than 2,700 transacting locations. This raises the total number of locations served by CXI across North America to more than 17,400, a year over year increase of more than 16%.

CXI's added three new company-owned retail branch locations to its network, while closing one branch in fiscal year 2018, bringing the total retail branch network to 43 locations. The openings in New Orleans, Louisiana and Stamford, Connecticut represent new markets for CXI's retail footprint. The third location opened in Los Angeles, California. In Aventura, Florida, CXI closed one of its two branches operating in the Aventura Mall. The company-owned locations continued to generate gross income at healthy retail exchange margins, conducting more than 430,000 transactions, for a year over year increase of more than 10%. CXI plans to maintain the growth of its company-owned branch network, opening locations selectively in areas that are ripe for a new FX retail solution.

CXI's wholly owned subsidiary, the Exchange Bank of Canada (EBC), completed its second full year of operations as a Schedule 1 Bank. EBC has continued to gain wholesale banknote clients and now has over 80 established corporations utilizing its international payment services. As a Schedule 1 Canadian Bank, EBC facilitates further expansion of CXI's worldwide correspondent banking relationships, allowing for a more comprehensive suite of offered services and increased operational efficiencies. EBC has specifically leveraged these relationships in the area of inventory management,

combining the use of inventory on consignment with the opening of a processing center in Montreal to lower FX transaction sourcing and processing costs, while providing enhanced client servicing capabilities. Resources are also being devoted toward workflow automation technology to reduce manual processes. With many correspondent relationships operationalized in 2018, EBC is poised for growth in 2019 and beyond.

CXI and EBC's expanding retail and wholesale footprint grew revenues to US \$39.1 million, up 20% from the previous fiscal year. Payments revenues specifically grew 51.1% year over year, to US \$1.7 million. Net operating income increased to US \$8.14 million, up 4% from the previous fiscal year. The net operating income experienced slower growth than revenues largely due to increased salaries, software development costs, and professional fees in line with the strategic goal of growing the payments business. This has resulted in a lower operating margin, which is expected to return to higher sustainable levels as payments revenues increase.

Consistent with CXI's strategic plan, the Company continues to commit significant resources to expanding its current payment business with enhancements to both CXI's processing capabilities and expansions to the sales team driving these products. These processing enhancements and sales efforts are intended to support growth in CXI's top and bottom lines.

## Strategic Growth

CXI reinvests in its technology and human resources to be a leader in the foreign exchange industry. Commitment to an unparalleled service level when providing banknote and payment processing for financial institutions and select corporations is necessary to grow the company's market share. CXI's proprietary software, CEIFX, is being developed with increased connectivity to outside systems, allowing for streamlined processes through integrated technology;

# Message from the CEO

integrations with strategic partners allow the company to expand its market reach.

The company is also focused on expanding FX volumes/revenues through digital cheque processing. This initiative utilizes the latest technology in the banking sectors to securely and quickly transmit data for processing.

Additionally, CXI has completed its APIs (application programming interfaces) for banknotes and payments allowing for seamless, straight through processing with the systems and companies it integrates with for both international payments and banknote transactions.

I personally thank all of CXI's customers, employees, shareholders, and friends for their continued support of Currency Exchange International. As always, I remain available for feedback and to discuss our company and its business with you personally.



Randolph W. Pinna  
President and Chief Executive Officer

## Positioned for Continued Growth

We are very pleased with the accomplishments of the past year as we stay focused on the growth of revenues and profits in the years ahead. I am particularly proud of the loyal team of more than 350 employees across the US and Canada who are all working together to grow our group long-term featuring our unique software platform and best in class customer service.

With an experienced management team and robust software, combined with Exchange Bank of Canada's ability to be a leading FX bank, our board of directors and management team are confident in their ability to execute on the expansion plan.

## Shareholder's Equity

\$ Millions

October 31, 2018 \$62.7

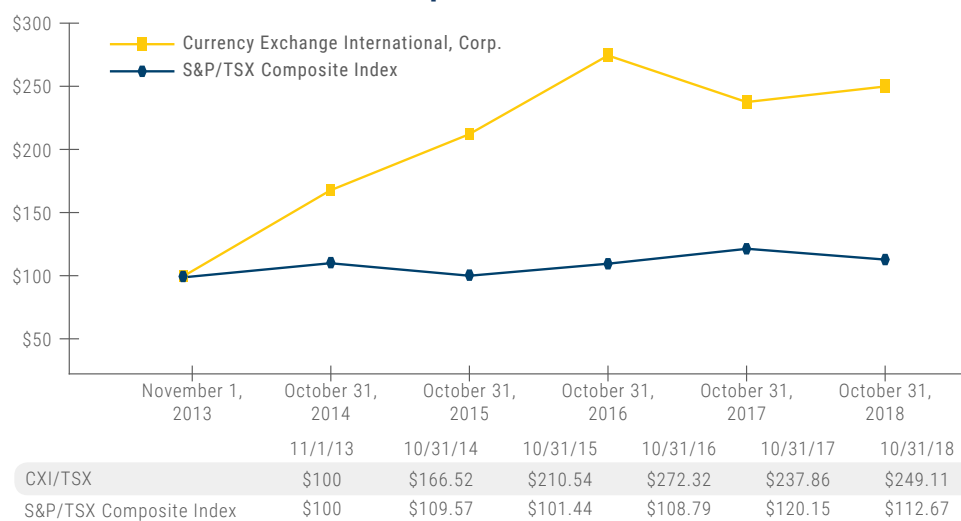
October 31, 2017 \$56.5

October 31, 2016 \$50.8

October 31, 2015 \$46.8

All amounts in this report are stated in USD unless otherwise noted.

## Shareholder Performance Graph



This graph compares the yearly percentage change in the cumulative total shareholder return for C\$100 invested in Common Shares on November 1, 2013 against the cumulative total shareholder return of the S&P/TSX Composite Index for the most recently completed financial years of Currency Exchange International, Corp. since it became listed on the Toronto Stock Exchange ("TSX"), assuming the reinvestment of all dividends. Currency Exchange International, Corp. has never paid any dividends, and will only pay dividends in the future as the board of directors deems appropriate.

# Company Snapshot

## THEN



### 2007 - 2009

CXI, under Randolph Pinna, purchases the eight retail branches of Foreign Currency Exchange Corp. from the Bank of Ireland Group

CXI launches its proprietary, web-based foreign currency software solution - CEIFX.

CXI focuses on establishing its backend processes for wholesale operations, while growing retail operations.



### 2010 - 2012

CXI commences services for financial institutions, allowing its wholesale partnerships to grow rapidly.

Three vaults are established in the U.S. to better service clients nationwide.

CXI Canada is established and its Toronto vault begins operations.

CXI completes its IPO on the Toronto Stock Exchange (TSX).

CXI Canada files an application to be continued as a Schedule I Canadian Bank.



### 2013 - 2015

CXI group surpasses servicing 10,000 transacting locations and is a provider for national financial institutions in the US and Canada.

CXI acquires US Exchange House in the US and Canada, merging them within its business.

CXI's West Coast vault in California moves to Los Angeles, increasing service capacity and operational support.

## NOW



### 2018

At 2018 fiscal year end, CXI exchanges more than USD \$4.2 billion worth of currency, and services 1,300+ companies at 17,000+ transacting locations.

CXI owns and operates 43 branch locations.

CXI has USD \$73.3 million in assets.



### 2017

Exchange Bank of Canada is accepted for SWIFT membership, the world's leading provider of secure financial messaging services, expanding its global payment capabilities.

EBC's corporate trading desk opens in Toronto providing live trading support and market analysis.



### 2016

September 2016, the Minister of Finance in Canada approves the continuance of Currency Exchange International of Canada Corp. as "Exchange Bank of Canada" in English and "Banque de change du Canada" in French.

CXI services 25% of the top 20 banks (in asset size) in the US.

## Key Activities

### Foreign Banknote Exchange

#### Overview

Banknotes are a core service offering from CXI and EBC. The group exchanges billions of dollars' worth of currency annually. Currencies for more than 90 countries are available for exchange.

#### Clients

Company-owned locations  
Corporate clients  
Financial institutions

### International Payments

#### Overview

International payments include international wires, Global EFT, and foreign bank draft issuance. Payments can be sent to more than 120 countries. CXI launched a payment platform in 2018 to support its business goals.

#### Clients

Corporate clients  
Financial institutions

### Foreign Cheque Clearing

#### Overview

Foreign cheque clearing processing was enhanced through bulk processing and image capture solutions for Canadian dollar cheques integrated into CEIFX. This increased speed and security while reducing manual elements of the service.

#### Clients

Corporate clients  
Financial institutions

# Business Operations

**430,000+**

company-owned branch  
transactions in fiscal year 2018

**685,000+**

wholesale relationship  
transactions in fiscal year 2018

**15%** 

in total transactions in fiscal year  
2018 vs in fiscal year 2017

## Business Overview

CXI's growth as a foreign currency and international payments technology and service provider in North America is based on its vision to be a leading international banking group focused on innovative currency exchange solutions. This vision includes going beyond simply servicing clients with the products that address their needs today. It focuses on innovative currency exchange solutions to address the needs of financial institutions, businesses and individual travellers of the future.

Expanding the company's resources and relationships has been integral to driving CXI's innovation and success in the market. CXI's resources continue to evolve with the business through its investment in technology, data and personnel each year. The company sees connecting CXI systems through integrations that can enhance product offerings, streamline and reduce manual processes and create new opportunities as key catalysts to spur innovation.

Developing open ecosystems for technology can only go so far though. Core to CXI's corporate culture is cultivating mutually beneficial relationships, keeping a customer centric point-of-view, and delivering world-class customer service. CXI's ability to execute on these elements allows it to bring its currency exchange solutions to their maximum potential.

CXI has the expertise to address just about any currency exchange need, large or small through its experience successfully servicing more than a thousand financial institutions and businesses, including some of the largest banks in the US, credit unions and banker's banks. Exchange Bank of Canada's status as the only Schedule 1 bank in Canada specializing exclusively in foreign currency solutions has opened up pathways to expand the group's global network of correspondents. In all, more than 17,000 transacting locations interact with CXI or EBC as their currency exchange provider.

Whether it's a financial institution, corporation, or individual, CXI creates positive client experiences. CXI's dedication to not only be a leader today, but help build the future through solutions that improve processes and create financial efficiencies, creates tighter bonds with clients and attracts new clients. CXI knows technology, relationships and service are at the center of this future.

## Company-Owned Branch Network

In the US, CXI's company-owned branches provides higher margin currency trades with individuals compared to the wholesale business. The company is able to utilize its branch network as a source of foreign currencies, which it can then make available through its network of relationships. This operational synergy is leveraged to offer CXI's clients highly competitive rates, helping grow the business, while enjoying larger margins in its business lines.

In 2018, CXI added three company-owned locations, while closing one branch, increasing its total branches from 41 to 43. The new branch openings were spread out across the country as branches opened in Stamford, Connecticut (Stamford Town Center); New Orleans, Louisiana (The Outlet Collection at Riverwalk); and Los Angeles, California (Beverly Center). Stamford Town Center and The Outlet Collection at Riverwalk opened in new markets for CXI, while Beverly Center opened near established company-owned locations. CXI closed a branch at the Aventura Mall, where it was operating two company-owned locations. After review, the company's management concluded the mall would be sufficiently serviced by one currency exchange branch.

Keeping focus on providing modern, positive customer experiences, CXI launched its foreign currency reservation website, OnlineFX, in fiscal year 2018. OnlineFX allows individuals to submit a foreign currency reservation through its web-based system to be picked up at any one of CXI's locations. The reservation system acts as the first stage of CXI's planned home delivery initiative. As consumers trend toward more online shopping activities, CXI plans to simplify the ordering of foreign currency through this convenient e-commerce system. OnlineFX supports CXI's obligations to strict Know Your Customer (KYC) requirements and compliance reporting through its integration with CEIFX, CXI's core FX system.

Management is committed to finding additional location opportunities and ways to service consumers each year. All new branch openings go through an internal evaluation process to determine the best available markets and scenarios. The opening and early stages of a new company-owned location requires resources, personnel and capital investment to position it for profitability. The company-owned branch network continues its positive growth trajectory, providing significant and consistent revenue.

## United States Business Environment

During the 2018 fiscal year, CXI added 310 new client relationships representing more than 2,700 new transacting locations across the United States. Each relationship varies in the services utilized, ranging from one or more of the following: foreign currency banknotes, international payments, issuing foreign drafts and clearing foreign denominated cheques. CXI continues to see clients take advantage of the company's ability to service multiple foreign exchange services all on one online platform (CEIFX).

CXI's most popular service utilized by financial institutions, foreign banknotes, maintains its status as a market driver for the company. As institutions gain familiarity with CXI's service level and the benefits of its CEIFX software, an increasing amount choose additional CXI services. CXI's new digital remote deposit solution enables financial institutions to clear cheques drawn on Canadian banks directly in CEIFX with cheque scanners most institutions already have in use. Additionally, the flexibility of the CEIFX software opens the door for clients to offer the service directly to their clients, a key need for many banker's banks or other correspondent institutions.

There are a number of factors that come into play when considering why businesses switch to CXI. New clients quickly find what makes CXI different from its competition and why existing clients remain loyal to the company. CXI's employees work within a corporate culture that values the level of customer service in every interaction and is fully committed to building long-lasting relationships that help clients succeed in their business.

## Canadian Business Environment

Exchange Bank of Canada completed its second full year of operations in fiscal 2018. EBC's emergence as a foreign exchange and international payments specialty bank gives clients the confidence that they are working with a federally regulated Schedule I Canadian Bank, while maintaining a relationship with a dedicated foreign exchange and international payments team.

A strategic goal for EBC has been growing the bank's global network of correspondent and client relationships not previously available to the company when operating as a Canadian money service business. EBC's newest correspondents have allowed the company group to expand its service capabilities and improve efficiencies. The bank's ability to expand its correspondent network and strategic relationships will be a goal it retains going forward.

EBC fully operationalized its international payments trade desk in fiscal 2018 along with the company group's treasury management system (TMS). The established trade desk is a direct resource to all corporate payment clients with the tools and expertise that have

already earned it outstanding reviews from clients. Additionally, EBC opened a processing center in Montreal aimed at lowering the operational costs and enhancing services to the bank's large contingent of clients in Québec.



## Software & Technology

CXI built a scalable foreign exchange business as it became an industry leader. Its foundational piece for this has been its proprietary web-based software, CEIFX. As the business has become more robust in its foreign exchange solutions, CXI has identified ways to streamline processes through a more integrated and open software development ecosystem. This includes an emphasis for CEIFX's ongoing development to increasingly connect the system through software integrations, such as the recently implemented TMS.

Integrations to outside systems allow CEIFX to effectively and seamlessly improve clients' workflow within their current processes. CEIFX now boasts the ability to connect to almost any modern system through its use of APIs and maintains flexible file integration capabilities. Through strategic partnerships, system integrations have opened up CXI to previously unavailable clients who rely on core banking software, enterprise resource planning software and data exchanges. Facilitating an online environment where clients can receive the benefits of working with CXI, while maintaining their core business systems allows for simplified operational, financial and regulatory compliance management.

CXI's backend TMS was developed with the long-term vision of a fully integrated ecosystem. The TMS integrates with CEIFX enabling a more automated end-to-end payment process and reducing manual costs. This coincides with the larger evolution in the digital payments industry as businesses expect faster and simpler ways to fulfill their global payment obligations. The TMS also provides the foundation for a corporate-focused international payment portal and suite of tools. All systems can be interconnected, so all payment flows are easily managed.

CXI's systems provide strong capabilities, yet remain flexible for many client setup types and deployment needs. The emergence of financial service technologies and their popularity with both financial institutions and businesses has made CXI's technology strategy an integral part of its competitive advantage. Pillars of the strategy are that CXI's technology helps clients be better at their own business by simplifying foreign exchange and payments through enhanced efficiencies, risk management and powerful validations. CXI's success lies in its innovation of currency exchange solutions through comprehensive services, dedication to customer service and the development of sophisticated, integrated solutions.



**CURRENCY EXCHANGE INTERNATIONAL, CORP.**

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**FOR THE THREE MONTHS AND  
YEAR ENDED OCTOBER 31, 2018  
AND 2017**



Management Discussion and Analysis  
(All amounts expressed in U.S. Dollars unless otherwise noted)  
For the three months and year ended October 31, 2018 and 2017

*Scope of Analysis*

This Management Discussion and Analysis ("**MD&A**") covers the results of operations, and financial condition of Currency Exchange International, Corp. and its subsidiary (the "**Company**," or "**CXI**") for the three months and year ended October 31, 2018 and 2017, including the notes thereto. This document is intended to assist the reader in better understanding and assessing operations and the financial results of the Company.

This MD&A has been prepared as at January 22, 2019 in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**") and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended October 31, 2018 and 2017 and the notes thereto. A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's audited consolidated financial statements for the year ended October 31, 2018. The functional currency of the Company is the U.S. Dollar. The functional currency of the Company's Canadian subsidiary, Exchange Bank of Canada ("**EBC**"), is the Canadian Dollar. The Company's presentation currency is the U.S. Dollar. Unless otherwise noted, all references to currency in this MD&A refer to U.S. Dollars. The consolidated financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

In this document, "our", "Company" and "CXI" refer to Currency Exchange International, Corp. collectively with its subsidiary, EBC.

*Additional Information*

Additional information relating to the Company, including annual financial statements, is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ceifx.com](http://www.ceifx.com) ("**CEIFX**").

### *Forward Looking Statements*

This MD&A contains certain “forward-looking information” as defined in applicable securities laws. These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “budgeted”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking information in this MD&A speaks only as of the date of this MD&A or as of the date specified in such statements. The following table outlines certain significant forward-looking information contained in this MD&A and provides the material assumptions used to develop such forward-looking information and material risk factors that could cause actual results to differ materially from the forward-looking information.

| <b>Forward-looking information</b>                                     | <b>Assumptions</b>  | <b>Risk factors</b>                          |
|--|---|--|
| Sensitivity analyses relating to foreign currencies and interest rates | All factors other than the variable in question remain unchanged; CXI’s entire unhedged balance of foreign currency holdings is affected uniformly by changes in exchange rates; CXI’s interest-bearing instruments and obligations were constant during the period | Exchange rate and interest rate fluctuations |

Inherent in forward-looking information are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section in the Company’s MD&A for the year ended October 31, 2018. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking information in this MD&A, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking information. All forward-looking information herein is qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information or future events or otherwise, except as may be required by applicable securities laws. If the Company does update any forward-looking information, no inference should be drawn that it will make additional updates with respect to that or other forward-looking information, unless required by applicable securities laws.

### *Overview*

CXI is a publicly traded company (TSX:CXI;OTCBB:CURN) specializing in providing currency exchange and related products to financial institutions, money service businesses, travel companies, and to clients through its company owned branches and vaults, and inventory on consignment locations, throughout the United States and Canada, by utilizing the Company's proprietary online software system, CEIFX. The Company has developed CEIFX, its proprietary customizable web-based software, as an integral part of its business and believes that it represents an important competitive advantage. CEIFX is also an on-line compliance and risk management tool. The trade secrets associated with CEIFX are protected via copyright, restricted access to both the software and its source code, and secure maintenance of source code by the head office. CEIFX is updated regularly and on-going system development and enhancement is a core activity of the Company.

### *Issuance of banking license*

On November 23, 2012, the Company submitted its application to continue its wholly-owned Canadian subsidiary, Currency Exchange International of Canada Corp ("**CXIC**"), as a new Canadian Schedule I bank. In September of 2016, the Office of the Superintendent of Financial Institutions ("**OSFI**") and the Minister of Finance, issued letters patent for the bank and CXIC is now Exchange Bank of Canada ("**EBC**"). The head office of EBC is located in Toronto, Ontario, Canada.

The objective of EBC is to continue to expand current and future business opportunities and become a leading banker's bank for foreign exchange products and services. Obtaining a Canadian bank charter benefits the Canadian banking system by providing a domestic alternative for foreign exchange services to financial institutions and commercial entities in Canada. The foreign currency bank note market for financial institutions in Canada is primarily serviced by foreign financial institutions. A Canadian bank charter affords the Company numerous advantages including the opportunity to bank with Central Banks, thereby obtaining a source of stable, cost-effective funds, as well as collateral reductions with correspondent banks, and enhancing existing financial institution relationships.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario.

The Company has the following sources of revenues which are reported as commissions and fees:

- Commission revenue is comprised of the spread between the cost and selling price of foreign currency products, including bank notes, wire transmissions, cheque collections and draft issuances and the revaluation of foreign exchange positions to market value, combined with the net gain or loss from foreign currency forward contracts used to offset the revaluation of inventory positions and commissions paid to bank and non-bank financial institutions on the sale and purchase of currency products. The amount of this spread is based on competitive conditions and the convenience and value-added services offered; and
- Fee revenue is comprised of the following:
  - Fees generated at the Company's branch locations and certain inventory on consignment locations from foreign currency (bank note) exchange, foreign traveler's cheques, and fees collected on payroll cheque cashing; and
  - Fees collected on foreign wire transfers, foreign drafts, and foreign cheque collection transactions.

The following are some of the characteristics of the Company's revenue streams:

*Overview (continued)*

- The Company operates three vaults that serve Canada and the United States as well as two small vaults that serve local markets on the West Coast and Northeast Regions of the United States and serve as distribution centers for its branch network as well as order fulfillment centers for its clients including financial institutions, money service businesses, and other corporate clients. Revenues generated from vaults have greater scale as the Company maintains a sales force to increase its geographic customer base. Exchange rate margins vary from customer to customer and are dependent on criteria such as exchange volumes and customer setup. On-boarding of new clients, specifically banking clients, normally requires an upfront investment, such as training, and currency signage, as well as additional one-time shipping costs to distribute start-up materials. The Company also normally absorbs information technology costs to customize the CEIFX software for specific client use during the customer implementation phase. There are two common customer setups:
  - Centralized setup - For customers with a high volume of foreign currency exchange who maintain and manage their own inventory in central vault facilities, the Company offers bulk wholesale bank note trading. Trades of this nature are generally executed at lower margins as the cost per transaction is low and the average value is high. The customer implementation phase is normally shorter and the costs of on-boarding clients is low;
  - Decentralized setup - Many customers have determined that it is advantageous to avoid a currency inventory and allow their locations to buy and sell directly from CXI. Transactions in a decentralized setup typically are executed at a higher margin as the average transaction is low and the cost to fulfill each trade is higher than that of a centralized setup. Several of the Company's financial institutions outsource their currency needs in return for a commission based upon exchange volume. When a client outsources their currency needs, the Company is granted access to the entire branch network thus immediately increasing its geographic footprint and expanding its customer base. The customer implementation phase is normally longer in a decentralized setup and the cost of client on-boarding is higher as these clients normally require additional training and support;
- The Company operates 43 branch locations which are located in high tourist traffic areas, staffed by CXI employees, and located across the United States. These locations hold domestic and foreign currencies to buy and sell on demand. The currency exchange margins associated with the transactions occurring at these locations are generally higher in order to recapture costs of deployed capital in the form of domestic and foreign currencies, rent, payroll, and other general and administrative costs;
- CXI and EBC currently maintain inventory in the form of domestic and foreign bank notes in financial institutions and other high traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Foreign exchange currency is placed in these locations on a consignment basis. At October 31, 2018, the Company had inventory on consignment in 665 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company pays commissions as a percentage on volumes generated by these locations; and
- Company owned branch locations generally act as a net buyer of foreign currency whereas CXI is generally a net seller to its bank and non-bank clients. Excess currency collected via the branch network can be redeployed to financial institutions and non-bank clients which reduces the need to source currency through wholesale sources at a greater cost, thus increasing currency margins.

Management Discussion and Analysis  
(All amounts expressed in U.S. Dollars unless otherwise noted)  
For the three months and year ended October 31, 2018 and 2017

*Overview (continued)*

The Company has aggressively grown its branch network as well as the number of wholesale relationships over the years. Below is a list of the Company's wholesale company relationships and transacting locations as well as a listing of its 43 branch locations:

| Store                              | City        | State | Start date | Store                           | City           | State | Start date |
|------------------------------------|-------------|-------|------------|---------------------------------|----------------|-------|------------|
| Apple Bank - Avenue of Americas    | New York    | NY    | 2011       | Mechanics Bank - San Francisco  | San Francisco  | CA    | 2008       |
| Apple Bank - Grand Central Station | New York    | NY    | 2011       | Mission Valley                  | San Diego      | CA    | 2015       |
| Apple Bank - Penn Station          | New York    | NY    | 2013       | Montgomery at Bethesda          | Bethesda       | MD    | 2013       |
| Apple Bank - Upper East Side       | New York    | NY    | 2014       | North County                    | Escondido      | CA    | 2017       |
| Apple Bank - Union Square          | New York    | NY    | 2014       | Ontario Mills Mall              | Ontario        | CA    | 2007       |
| Arundel Mills Mall                 | Hanover     | MD    | 2012       | Potomac Mills Mall              | Woodbridge     | VA    | 2007       |
| Aventura Mall                      | Aventura    | FL    | 2008       | Queens Center                   | New York       | NY    | 2017       |
| Beverly Center                     | Los Angeles | CA    | 2018       | Riverwalk                       | New Orleans    | LA    | 2018       |
| Century City Mall                  | Los Angeles | CA    | 2009       | San Francisco City Center       | San Francisco  | CA    | 2011       |
| Cherry Creek                       | Denver      | CO    | 2014       | San Jose Great Mall             | San Jose       | CA    | 2011       |
| Citadel Outlets                    | Los Angeles | CA    | 2014       | Santa Monica Place              | Santa Monica   | CA    | 2012       |
| Copley Place Mall                  | Boston      | MA    | 2009       | Sawgrass Mills Mall Booth #1    | Sunrise        | FL    | 2007       |
| Dadeland Mall                      | Miami       | FL    | 2009       | Sawgrass Mills Mall Booth #2    | Sunrise        | FL    | 2010       |
| Dolphin Mall                       | Miami       | FL    | 2009       | Shops at Northbridge            | Chicago        | IL    | 2013       |
| Florida Mall Booth #1              | Orlando     | FL    | 2007       | SouthCenter                     | Tukwila        | WA    | 2012       |
| Florida Mall Booth #2              | Orlando     | FL    | 2014       | Stamford Town Center            | Stamford       | CN    | 2018       |
| Garden State                       | Paramus     | NJ    | 2015       | Sunvalley Shopping Center       | Concord        | CA    | 2015       |
| Glendale Galleria                  | Glendale    | CA    | 2016       | The Galleria at Fort Lauderdale | Ft. Lauderdale | FL    | 2013       |
| International Market Place         | Honolulu    | HI    | 2016       | The Orlando Eye                 | Orlando        | FL    | 2015       |
| MacArthur Mall                     | Norfolk     | VA    | 2009       | Tyson's Corner Center           | Tyson's Corner | VA    | 2014       |
| Mainplace at Santa Ana             | Santa Ana   | CA    | 2013       | Washington Square Mall          | Portland       | OR    | 2017       |
| Mechanics Bank - Berkeley          | Berkeley    | CA    | 2007       |                                 |                |       |            |

|                                 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Company owned branch locations  | 14      | 15      | 18      | 23      | 26      | 32      | 36      | 38      | 41      | 43      |
| Wholesale company relationships | 61      | 70      | 123     | 245     | 364     | 469     | 521     | 928     | 977     | 1337    |
| Number of transacting locations | 190     | 267     | 1,983   | 2,455   | 5,741   | 8,274   | 10,157  | 13,603  | 15,026  | 17,482  |

The Company's largest asset is cash. The cash position consists of local currency notes, both in U.S. and Canadian Dollars, held in inventory at its branch and consignment locations to facilitate the buying and selling of foreign currency, as well as foreign currency held at the Company's vaults, branch locations, consignment locations, or cash inventory in transit between Company locations. The Company also has traditional bank deposits which act as reserves to maintain operations and as settlement accounts to facilitate currency transactions at various financial institutions.

Accounts receivable consist primarily of bulk wholesale transactions where the Company is awaiting payment. The credit risk associated with accounts receivable is limited, as the Company's receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. There is minimal counterparty risk as the majority of the Company's receivables reside with financial institutions and money service business customers. The company has longstanding relationships with most of its customers and has a strong repayment history.

Accounts payable consist mainly of foreign currency transactions and commissions payable at period end where the Company receives currency from a customer and then remits payment at a later date.

### SELECTED FINANCIAL DATA

The below chart summarizes the performance of the Company over the last eight fiscal quarters.

| Three-months ending | Revenue<br>\$ | Net operating income<br>\$ | Net income (loss)<br>\$ | Total assets<br>\$ | Total equity<br>\$ | Earnings (loss) per share (diluted)<br>\$ |
|---------------------|---------------|----------------------------|-------------------------|--------------------|--------------------|---|
| 10/31/2018          | 10,270,233    | 1,724,576                  | 995,967                 | 73,267,274         | 62,721,937         | 0.17                                      |
| 7/31/2018           | 11,537,280    | 3,533,642                  | 2,407,522               | 86,860,274         | 61,629,104         | 0.37                                      |
| 4/30/2018           | 8,887,772     | 1,115,289                  | 507,606                 | 84,714,970         | 57,789,679         | 0.08                                      |
| 1/31/2018           | 8,402,855     | 1,764,296                  | 316,148                 | 79,794,495         | 57,809,076         | 0.05                                      |
| 10/31/2017          | 9,355,315     | 2,609,517                  | 1,337,947               | 63,968,227         | 56,492,618         | \$0.21                                    |
| 7/31/2017           | 9,862,335     | 3,597,678                  | 1,944,247               | 71,348,901         | 55,545,083         | \$0.31                                    |
| 4/30/2017           | 7,172,429     | 1,424,291                  | 625,052                 | 66,875,712         | 52,111,070         | \$0.10                                    |
| 1/31/2017           | 6,087,142     | 290,024                    | (85,776)                | 60,399,965         | 51,438,703         | (\$0.01)                                  |

Seasonality is reflected in the timing of when foreign currencies are in greater or lower demand. In a normal operating year there is seasonality to the Company's operations with higher revenues generally from March until September and lower revenues from October to February. This coincides with peak tourism seasons in North America when there are generally more travelers entering and leaving the United States and Canada.

#### *Selected Financial Results for the three months and year ended October 31, 2018 and October 31, 2017*

In 2018, the Company invested significant resources in growing its core bank note business in both Canada and the U.S., started to diversify its revenue streams by expanding its capability to offer global foreign currency exchange payments, and agreed to acquire a longstanding payments company in Montreal, Canada. CXI successfully launched a payments platform that will support the Company's Payments business goals. The new system enhances compliance, treasury risk oversight, and mark-to-market processes, and positions the Company to offer additional FX payments products such as currency hedging. CXI is well positioned in the market with a strong capital base from which to capitalize on potential growth opportunities.

|                                   | Year ended<br>October 31, 2018<br>\$ | Year ended<br>October 31, 2017<br>\$ | Three months ended<br>October 31, 2018<br>\$ | Three months ended<br>October 31, 2017<br>\$ |
|-----------------------------------|--------------------------------------|--------------------------------------|--|--|
| Revenue                           | 39,098,141                           | 32,477,220                           | 10,270,233                                   | 9,355,315                                    |
| Operating expenses                | 30,960,337                           | 24,555,711                           | 8,545,657                                    | 6,745,797                                    |
| Net Operating income              | 8,137,804                            | 7,921,509                            | 1,724,576                                    | 2,609,517                                    |
| Total other income/(expense), net | 12,707                               | 26,854                               | 3,422  | 15,321                                       |
| EBITDA*                           | 8,150,511                            | 7,948,363                            | 1,727,999                                    | 2,624,838                                    |
| Net income                        | 4,227,243                            | 3,821,469                            | 995,967                                      | 1,337,947                                    |
| Basic earnings per share          | 0.67                                 | 0.62                                 | 0.17   | 0.22   |
| Diluted earnings per share        | 0.67                                 | 0.61                                 | 0.17   | 0.21   |

\* Earnings before interest, taxes, depreciation and amortization

|                                       | October 31, 2018 | October 31, 2017 |
|---------------------------------------|------------------|------------------|
| Total assets                          | 73,267,274       | 63,968,227       |
| Total long term financial liabilities | -                | -                |
| Total equity                          | 62,721,937       | 56,492,618       |

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*Results of operations – year ended October 31, 2018 and 2017*

A breakdown of revenues by geographic location is presented below:

|               | Total revenues                    |                                   |
|---------------|-----------------------------------|-----------------------------------|
|               | Year ended October 31, 2018<br>\$ | Year ended October 31, 2017<br>\$ |
| United States | 33,234,379                        | 28,505,302                        |
| Canada        | 5,863,762                         | 3,971,918                         |
| <b>Total</b>  | <b>39,098,141</b>                 | <b>32,477,220</b>                 |

During the year ended October 31, 2018 total commission revenues increased by 20% to \$39,098,141 compared to \$32,477,220 for the year ended October 31, 2017. Since October 31, 2017, the Company has added 360 new customer relationships comprising 2,724 locations, of which 310 relationships representing 2,626 transacting locations were added in the United States and 50 relationships representing 98 transacting locations were added in Canada. During the year ended October 31, 2018, the number of transactions between the Company and its customers increased 15% to 1,118,000 transactions from 974,000 for the same period in the previous year.

During the year ended October 31, 2018, operating expenses increased 26% to \$30,960,337 compared to \$24,555,711 for the year ended October 31, 2017, the major components of which are presented below:

|                                  | Year ended<br>October 31, 2018<br>\$ | Year ended<br>October 31, 2017<br>\$ | Change<br>\$     | Change<br>% |
|----------------------------------|--------------------------------------|--------------------------------------|------------------|-------------|
| Salaries and benefits            | 15,847,680                           | 13,286,617                           | 2,561,062        | 19%         |
| Rent                             | 3,381,155                            | 3,018,722                            | 362,433          | 12%         |
| Legal and professional           | 2,671,996                            | 1,842,163                            | 829,833          | 45%         |
| Postage and shipping             | 4,560,283                            | 3,449,837                            | 1,110,447        | 32%         |
| Stock based compensation         | 629,550                              | 556,379                              | 73,171           | 13%         |
| Travel and entertainment         | 664,823                              | 550,276                              | 114,547          | 21%         |
| Bank service charges             | 757,230                              | 344,991                              | 412,239          | 119%        |
| Software maintenance             | 685,320                              | 373,954                              | 311,367          | 83%         |
| Losses and shortages             | 307,029                              | 167,993                              | 139,036          | 83%         |
| Insurance                        | 361,270                              | 339,067                              | 22,204           | 7%          |
| Other general and administrative | 1,094,000                            | 625,712                              | 468,288          | 75%         |
| <b>Total operating expenses</b>  | <b>30,960,337</b>                    | <b>24,555,711</b>                    | <b>6,404,626</b> | <b>26%</b>  |

- Salaries and benefits increased 19% to \$15,847,680 from \$13,286,617 which is attributed to increases in the Company's employment base for the period. The increase in staffing is a result of the hiring of employees engaged in the areas of compliance, information technology, payments, operations, vault operations and sales as well as opening 3 company owned branch locations;
- Rent increased 12% to \$3,381,155 from \$3,018,722. The Company has opened 3 new branch locations and expanded the Toronto and Orlando locations since October 31, 2017;

*Results of operations – year ended October 31, 2018 and 2017 (continued)*

- Legal and professional fees increased 45% to \$2,671,996 from \$1,842,163. The increase is related primarily to legal, professional, and accounting fees incurred in support of operational and strategic initiatives of the Company;
- Postage and shipping increased 32% to \$4,560,283 from \$3,449,837 due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's stores and customers. The Company added 314 new customers representing 2,630 new transacting locations since October 31, 2017 which has led to a 15% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company;
- Stock based compensation increased 13% to \$629,550 from \$556,379 for the vested portion of stock options granted pursuant to the Company's stock option plan. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn\$27.42. There were 424,495 options outstanding at October 31, 2018 compared to 442,223 options outstanding at October 31, 2017. Also, in Q4 2018, 25,310 options were forfeited and 1,991 options were used in a cashless option exercise;
- Travel and entertainment increased 21% to \$664,823 from \$550,276. The increase is related primarily to an expanded salesforce and consequent increased sales efforts for payments and banknote activity;
- Bank service charges increased to \$757,230 from \$344,991. The increase is related primarily to increased volumes for payments related activity. As volumes increase pricing efficiencies may be realized;
- Software maintenance has increased 83% to \$685,320 from \$373,945 due to expanded usage of software applications purchased to support Sales, Operations, Payments, IT, and Finance functions in the Company;
- Losses and shortages increased to \$307,029 from \$167,993. The increase is related primarily to the growth in banknote volumes and typically ranges from 0.5-1% of revenues; and
- Other general and administrative expenses increased 75% to \$1,094,000 from \$625,712. Other expenses are comprised of licenses and fees, utilities, office supplies, foreign exchange gains and losses through profit and loss, and other general and administrative expenses.

The ratio of operating expenses to total revenue for the year ended October 31, 2018 was 79% compared to 76% for the year ended October 31, 2017. The Company endeavors to increase its operating efficiency through the continued addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

*Results of operations – year ended October 31, 2018 and 2017 (continued)*

Other income and expenses are comprised of the following:

|                               | Year ended<br>October 31, 2018<br>\$ | Year ended<br>October 31, 2017<br>\$ |
|-------------------------------|--------------------------------------|--------------------------------------|
| Other income                  | 12,707                               | 26,854                               |
| Interest expense              | (369,724)                            | (162,554)                            |
| Depreciation and amortization | (1,371,256)                          | (1,324,211)                          |
| Income tax expense            | (2,182,288)                          | (2,640,129)                          |
| Total other expense           | (3,910,561)                          | (4,100,040)                          |

- Other income decreased to \$12,707 from 26,854 and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States;
- Interest expense increased to \$369,724 from \$162,554 and relates to interest payments on credit lines;
- Depreciation and amortization increased to \$1,371,256 from \$1,324,256 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and

For the year ended October 31, 2018, income tax expense decreased to \$2,182,288 from \$2,640,129 for year ended October 31, 2017 and is a total of federal income tax as well as various state and provincial taxes for the jurisdictions in which the Company operates. The decrease is attributable principally to a lower statutory tax rate in the United States in 2018 compared to 2017, related to the Tax Cuts and Jobs Act of 2017. On December 22, 2017, the President of the United States signed tax reform legislation, which included a broad range of tax reform proposals affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Many of these provisions significantly differ from previous US tax law, resulting in pervasive financial reporting implications. The 2018 income tax expense includes a one-time increase in deferred tax expense of \$308,000 which arose from a reduction in deferred tax assets of an identical amount. The deferred tax asset was generated on the basis of the former higher tax rate and will be liquidated over time at the lower rate now in effect. This change represents an estimated reduction in the statutory tax rate in the United States from 38.5% to 22.0%. The 2018 income tax expense includes an additional one-time expense related to a "repatriation" tax on earnings generated outside of the United States since 2011; this expense is \$80,000 related to retained earnings in EBC and its predecessor company CXIC. Without these one-time adjustments the effective tax rate for the year ended October 31, 2018 would have been 28.0% instead of the actual 34.0% effective rate, both compared to 38% for the year ended October 31, 2017.

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*Results of operations – three-month period ended October 31, 2018 and October 31, 2017 (continued)*

A breakdown of revenues by geographic location is presented below:

|               | Total revenues                               |  |
|---------------|--|--|
|               | Three months ended<br>October 31, 2018<br>\$ | Three months ended<br>October 31, 2017<br>\$ |
| United States | 8,630,105                                    | 8,152,456                                    |
| Canada        | 1,640,128                                    | 1,202,859                                    |
| <b>Total</b>  | <b>10,270,233</b>                            | <b>9,355,315</b>                             |

During the three-month period ended October 31, 2018 total commission and fee revenues increased by 10% to \$10,270,233 compared to \$9,355,315 for the three-month period ended October 31, 2017. Since October 31, 2017, the Company has added 360 new customer relationships comprising 2,724 locations, of which 310 wholesale relationships representing 2,724 transacting locations were added in the United States and 50 relationships representing 98 transacting locations were added in Canada. During the three-month period ended October 31, 2017, the number of transactions between the Company and its customers increased 15% to 320,000 transactions from 278,000 for the same period in the previous year.

During the three-month period ended October 31, 2018, operating expenses increased 25% to \$8,451,339 compared to \$6,745,797 for the three-month period ended October 31, 2017, the major components of which are presented below:

|                                  | Three months ended<br>October 31, 2018<br>\$ | Three months ended<br>October 31, 2017<br>\$ | Change<br>\$     | Change<br>% |
|----------------------------------|--|--|------------------|-------------|
| Salaries and benefits            | 4,266,130                                    | 3,694,561                                    | 571,569          | 15%         |
| Rent                             | 874,070                                      | 832,203                                      | 41,868           | 5%          |
| Legal and professional           | 778,290                                      | 512,638                                      | 265,652          | 52%         |
| Postage and shipping             | 1,379,326                                    | 867,981                                      | 511,345          | 59%         |
| Stock based compensation         | 95,854                                       | 167,258                                      | (71,404)         | -43%        |
| Travel and entertainment         | 161,532                                      | 167,269                                      | (5,737)          | -3%         |
| Bank service charges             | 306,606                                      | 100,272                                      | 206,335          | 206%        |
| Software maintenance             | 237,709                                      | 46,361                                       | 191,348          | 413%        |
| Insurance                        | 90,830                                       | 90,697                                       | 132              | 0%          |
| Other general and administrative | 355,311                                      | 266,558                                      | 88,753           | 33%         |
| <b>Operating expenses</b>        | <b>8,545,657</b>                             | <b>6,745,797</b>                             | <b>1,799,860</b> | <b>27%</b>  |

- Salaries and benefits increased 15% to \$4,266,130 from \$3,694,561 which is attributed to increases in the Company's employment base for the period. The increase in staffing is a result of the hiring employees engaged in the areas of compliance, information technology, payments, operations, vault operations and sales and opening 3 company owned branch locations;
- Rent increased 5% to \$874,070 from \$832,203. The Company has opened 3 new branch locations and expanded the Toronto and Orlando locations since October 31, 2017;
- Legal and professional fees increased to \$778,290 from \$512,638. The increase is related primarily to legal, professional, and accounting fees incurred in support of operational and strategic initiatives of the Company;

*Results of operations – three-month period ended October 31, 2018 and October 31, 2017 (continued)*

- Postage and shipping increased 59% to \$1,379,326 from \$867,981 due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's stores and customers. The Company added 314 new wholesale banknote customers representing 2,630 new transacting locations since October 31, 2017 which has led to a 15% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company;
- Stock based compensation decreased 43% to \$95,854 from \$167,258 for the vested portion of stock options granted pursuant to the Company's stock option plan. The decrease is due to 25,310 options that were forfeited in Q4 2018 and 1,991 options that were cancelled in a cashless option exercise. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn\$27.42. There were 424,495 options outstanding at October 31, 2018 compared to 442,223 options outstanding at October 31, 2017;
- Bank service charges increased to \$306,606 from \$100,272. The increase is related primarily to increased volumes for payments related activity. As volumes increase pricing efficiencies may be realized;
- Software maintenance has increased to \$237,709 from \$46,361 due to expanded usage of software applications purchased to support Sales, Operations, Payments, IT, and Finance functions in the Company; and
- Other general and administrative expenses increased 33% to \$355,310 from \$266,558. Other expenses are comprised of travel and lodging, software maintenance, utilities, bank service charges, foreign exchange gains and losses through profit and loss, and other general and administrative expenses.

The ratio of operating expenses to total revenue for three-month period ended October 31, 2018 was 83% compared to 72% for the three-month period ended October 31, 2017, reflecting investment in human and other resources to complete several strategic initiatives in the quarter. The ratio traditionally is higher during the winter months and decreases as the fiscal year progresses. This is due to the cyclical nature of the business as the Company has more exchange volumes from March to September and the Company is able to redeploy the currency it purchases in the summer months from its branch locations and resell it to other financial institutions and non-financial institution customers, thus bypassing currency wholesalers and widening its gross margins., The Company endeavors to increase its operating efficiency through the continued addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

*Results of operations – three-month period ended October 31, 2018 and October 31, 2017 (continued)*

Other income and expenses are comprised of the following:

|                               | Three months ended<br>October 31, 2018<br>\$ | Three months ended<br>October 31, 2017<br>\$ |
|-------------------------------|--|--|
| Other income                  | 3,422  | 15,321                                       |
| Interest expense              | (30,957)                                     | (58,817)                                     |
| Depreciation and amortization | (357,775)                                    | (354,710)                                    |
| Income tax expense            | (343,300)                                    | (873,364)                                    |
| Total other expense           | (728,610)                                    | (1,271,571)                                  |

- Other income decreased to \$3,422 from \$15,321 and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States;
- Interest expense decreased to \$30,957 from \$58,817 and relates to interest payments on credit lines;
- Depreciation and amortization increased to \$357,775 from \$354,710 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and
- Income tax expense decreased to \$343,300 from \$873,364 and is a total of federal income tax as well as various state and provincial taxes for the jurisdictions in which the Company operates and reflects the new US rate of 22%.

*Cash flows*

Cash flows from operating activities during the year ended October 31, 2018 resulted in an inflow of \$5,071,971 compared to an inflow of \$5,508,783 during the year ended October 31, 2017. The decrease in operating cash flow was due largely to an increase in accounts receivable partially offset by an increase in accounts payable and in net income. The actual amount of accounts receivable and accounts payable fluctuate from period to period due to the volume of activity and timing differences. In most instances accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Operating cash flow is generated by commission and fee income and is offset by operating expenses.

Cash used in investing activities during the year ended October 31, 2018 resulted in an outflow of \$1,314,515 compared to an outflow of \$976,314 during the year ended October 31, 2017. This represents additions to property and equipment and to the internally developed software, CEIFX.

Cash provided by financing activities during the year ended October 31, 2018 was \$1,707,588 compared to cash used for financing of (\$2,428,902) during the year ended October 31, 2017. The primary reason for the increase in inflows relates to additional shares issued through the exercise of executive stock options.

*Liquidity and capital resources*

At October 31, 2018, the Company had working capital of \$59,483,137 (October 31, 2017 - \$52,778,007).

The Company maintains a revolving line of credit with BMO Harris Bank, N.A. which was increased in July of 2018 to \$20,000,000 to assist with its short-term cash flow needs. At October 31, 2018, the balance outstanding was \$Nil (October 31, 2017 \$Nil). The line of credit bears interest at Libor plus 2.0% [at October 31, 2018 – 2.3% (2017 – 1.26%)].

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*Liquidity and capital resources (continued)*

In April of 2017, the Company's wholly-owned Canadian subsidiary, EBC established a CDN\$3,000,000 revolving line of credit with Bank of Montreal which was increased in June of 2018 to CDN\$6,000,000 (\$4,565,515) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus 0.5%. [at October 31, 2018 – 3.95% (2017 – 3.2%)]. At October 31, 2018, the balance outstanding was \$Nil (October 31, 2017 - \$Nil).

The Company had a total available balance of unused lines of credit of \$24,565,515 at October 31, 2018 (October 31, 2017 - \$17,326,844).

*Selected annual financial information*

The following tables set out selected consolidated financial information of the Company for the periods indicated. Each investor should read the following information in conjunction with those financial statements for the relevant period and notes related thereto. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the consolidated financial statements of the Company.

|   | Year ended<br>October 31, 2018<br>\$ | Year ended<br>October 31, 2017<br>\$ | Year ended<br>October 31, 2016<br>\$ | Year ended<br>October 31, 2015<br>\$ |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Revenues                                | 39,098,141                           | 32,477,220                           | 26,827,456                           | 24,075,775                           |
| Net operating income                    | 8,137,804                            | 7,921,509                            | 6,877,489                            | 7,137,444                            |
| Net income                              | 4,227,243                            | 3,821,469                            | 3,642,111                            | 4,665,985                            |
| Basic earnings per share                | \$0.67                               | \$0.62                               | \$0.59                               | 0.80                                 |
| Diluted earnings per share              | \$0.67                               | \$0.61                               | \$0.58                               | 0.77                                 |
| Total assets                            | 73,267,274                           | 63,968,227                           | 62,196,008                           | 52,112,593                           |
| Total liabilities                       | 10,545,337                           | 7,475,609                            | 11,443,657                           | 5,352,490                            |
| Total non-current financial liabilities | -                                    | -                                    | -                                    | -                                    |
| Working capital                         | 58,642,924                           | 52,778,077                           | 47,016,377                           | 42,674,895                           |

Notes:

- Operating income for prior periods has been adjusted to exclude depreciation and amortization expense.

*Commitments and contingencies*

On October 1, 2011, the Company entered into an employment agreement with the President and CEO of the Company. Such agreement contains clauses requiring additional payments of a minimum of \$450,000 to be made upon the occurrence of certain events such as a change of control of the Company or termination for reasons other than cause. As the likelihood of a change of control of the Company is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

The Company has entered into non-cancellable operating leases with terms in excess of one year for the use of certain facilities. The minimum rental payments associated with these leases are \$7,208,470 and are payable as follows:

|                         | Within 1 year<br>\$ | 1 to 5 years<br>\$ | after 5 years<br>\$ | Total<br>\$ |
|-------------------------|---------------------|--------------------|---------------------|-------------|
| <b>October 31, 2018</b> | 2,604,237           | 4,604,233          | 0                   | 7,208,470   |
| <b>October 31, 2017</b> | 2,256,996           | 3,275,900          | 0                   | 5,532,896   |

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*Off-balance sheet arrangements*

There are currently no off-balance sheet arrangements which could have an effect on current or future results or operations, or on the financial condition of the Company.

*Hedging activity*

The Company enters into non-deliverable foreign currency forward contracts on a daily basis to mitigate the risk of fluctuations in the exchange rates of its holdings of major currencies. Changes in the fair value of the contracts and the corresponding gains or losses are recorded daily and are included in commission revenue on the consolidated statements of income and comprehensive income. The Company's management strategy is to reduce the risk of fluctuations associated with foreign exchange rate changes. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated.

The fair value of forward contracts, which represents the amount that would be (paid)/received by the Company if the forward contracts were terminated at October 31, 2018 was \$10,857 - (October 31, 2017 - \$17,858).

At October 31, 2018 and October 31, 2017 approximately \$1,998,942 and \$1,972,168, respectively, were being held as collateral on these contracts and are reflected as restricted cash held in escrow in the consolidated statements of financial position.

*Transactions with related parties*

The remuneration of directors and key management personnel during the year ended October 31, 2018 and October 31, 2017 were as follows:

|                          | Year ended       |                  |
|--------------------------|------------------|------------------|
|                          | October 31, 2018 | October 31, 2017 |
|                          | \$               | \$               |
| Short-term benefits      | 2,677,716        | 2,308,625        |
| Post-employment benefits | 82,242           | 99,332           |
| Stock based compensation | 521,918          | 676,565          |
|                          | <u>3,281,876</u> | <u>3,084,522</u> |

The Company incurred legal and professional fees in the aggregate of \$348,421 for the year ended October 31, 2018 (2017 - \$145,404) charged by entities controlled by directors or officers of the Company.

Advances between CXI and EBC are provided under a \$20,000,000 Revolving Line of Credit, renewed May 31, 2017; loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At October 31, 2018, the intercompany loan balance was \$5,663,276 (2017 - \$1,100,000).

*Option grants*

The Company adopted an incentive stock option plan dated April 28, 2011 (the "**Plan**"). The Plan is a rolling stock option plan, under which 10% of the outstanding shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company to attract and retain directors, senior officers, employees and management. Vesting terms under the Plan will occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant unless otherwise specified by the Board of Directors.

Management Discussion and Analysis  
(All amounts expressed in U.S. Dollars unless otherwise noted)  
For the three months and year ended October 31, 2018 and 2017

*Option grants (continued)*

Below is information related to each option grant:

| Date of Grant | Expiry Date | Share price at grant date (Cdn\$) | Amount granted | Risk-free interest rate | Expected volatility | Exercise Price (Cdn\$)* | Fair value of option at grant date (\$) |
|---------------|-------------|-----------------------------------|----------------|-------------------------|---------------------|-------------------------|---|
| 30-Oct-14     | 30-Oct-19   | 18.00                             | 87,215         | 1.61%                   | 27%                 | 16.21                   | 4.97                                    |
| 30-Oct-14     | 30-Oct-19   | 18.00                             | 24,144         | 1.61%                   | 27%                 | 16.21                   | 4.97                                    |
| 30-Oct-15     | 30-Oct-20   | 23.50                             | 28,972         | 1.47%                   | 32%                 | 24.64                   | 5.10                                    |
| 30-Oct-15     | 30-Oct-20   | 23.50                             | 89,435         | 1.47%                   | 32%                 | 24.64                   | 5.10                                    |
| 16-Jan-16     | 16-Jan-21   | 17.89                             | 17,600         | 1.46%                   | 33%                 | 17.79                   | 3.86                                    |
| 11-Mar-16     | 11-Mar-21   | 21.30                             | 4,182          | 1.45%                   | 34%                 | 22.78                   | 4.78                                    |
| 26-Oct-16     | 25-Oct-21   | 32.96                             | 22,757         | 1.30%                   | 34%                 | 30.75                   | 8.46                                    |
| 26-Oct-16     | 25-Oct-21   | 32.96                             | 66,820         | 1.30%                   | 34%                 | 30.75                   | 8.46                                    |
| 6-Jun-17      | 6-Jun-22    | 20.79                             | 9,865          | 1.71%                   | 37%                 | 21.53                   | 5.27                                    |
| 26-Oct-17     | 26-Oct-22   | 26.84                             | 19,673         | 2.07%                   | 36%                 | 25.52                   | 7.69                                    |
| 26-Oct-17     | 26-Oct-22   | 26.84                             | 67,213         | 2.07%                   | 36%                 | 25.52                   | 7.69                                    |
| 9-Aug-18      | 9-Aug-23    | 30.93                             | 10,200         | 2.80%                   | 31%                 | 30.69                   | 7.74                                    |
| 23-Oct-18     | 23-Oct-23   | 28.01                             | 32,501         | 3.10%                   | 29%                 | 30.77                   | 5.92                                    |
| 23-Oct-18     | 23-Oct-23   | 28.01                             | 111,111        | 3.10%                   | 29%                 | 30.77                   | 5.92                                    |

\*Exercise price determined by average share price for previous 20 trading days

The outstanding options at October 31, 2018 and the respective changes during the periods are summarized as follows:

|  | Number of options # | Weighted average price Cdn\$ |
|--|---------------------|------------------------------|
| <b>Outstanding at October 31, 2016</b> | 521,592             | 18.50                        |
| Granted                                | 111,885             | 25.17                        |
| Exercised                              | (128,613)           | 9.99                         |
| Cancelled through cashless exercise    | (22,572)            | 17.28                        |
| Forfeited                              | (40,069)            | 25.54                        |
| <b>Outstanding at October 31, 2017</b> | 442,223             | 22.31                        |
| Granted                                | 153,812             | 30.76                        |
| Exercised                              | (144,239)           | 15.61                        |
| Cancelled through cashless exercise    | (1,991)             | 20.61                        |
| Forfeited                              | (25,310)            | 26.35                        |
| <b>Outstanding at October 31, 2018</b> | 424,495             | 27.42                        |

The following options are outstanding and exercisable at October 31, 2018:

| Grant Date | Exercise price (Cdn\$) | Number outstanding | Average remaining contractual life (years) | Number exercisable |
|------------|------------------------|--------------------|--|--------------------|
| 30-Oct-14  | 16.21                  | 9,971              | 1.00                                       | 9,971              |
| 30-Oct-14  | 16.21                  | 8,048              | 1.00                                       | 8,048              |
| 30-Oct-15  | 24.64                  | 20,148             | 2.00                                       | 20,148             |
| 30-Oct-15  | 24.64                  | 55,662             | 2.00                                       | 55,662             |
| 16-Jan-16  | 17.79                  | 11,733             | 2.21                                       | 5,866              |
| 11-Mar-16  | 22.78                  | 4,182              | 2.36                                       | 2,788              |
| 26-Oct-16  | 30.75                  | 16,255             | 2.99                                       | 16,255             |
| 26-Oct-16  | 30.75                  | 52,212             | 2.99                                       | 34,808             |
| 6-Jun-17   | 21.53                  | 5,586              | 3.60                                       | 1,862              |
| 26-Oct-17  | 25.52                  | 19,673             | 3.99                                       | 19,673             |
| 26-Oct-17  | 25.52                  | 67,213             | 3.99                                       | 22,404             |
| 9-Aug-18   | 30.69                  | 9,084              | 4.78                                       | -                  |
| 9-Aug-18   | 30.69                  | 1,116              | 4.78                                       | -                  |
| 23-Oct-18  | 30.77                  | 32,501             | 4.98                                       | -                  |
| 23-Oct-18  | 30.77                  | 111,111            | 4.98                                       | -                  |
| Total      |                        | 424,495            |  | 197,485            |

### *Potential Transaction*

On July 9, 2018 the Company announced its wholly-owned subsidiary EBC has entered into a definitive agreement to acquire the assets of a business operating 22 years primarily in the province of Quebec from the private family owners who were advised by Laurentian Bank Securities. These assets include a total of approximately 400 corporate customers that are engaged in international payments. It is expected that approximately 10 employees will be retained and employed in EBC's new Montreal Office. The transaction is subject to regulatory approval and will not close until all approvals have been obtained.

### *Subsequent events*

The Company evaluated subsequent events through January 22, 2018, the date these condensed interim consolidated financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

### *Accounting standards and policies*

The Company's accounting policies are described in Note 2 to the Company's audited consolidated financial statements for the years ended October 31, 2018 and 2017.

### *Risk factors*

The operations of the Company are speculative due to the high-risk nature of its business. These risk factors could materially affect the Company's financial condition and/or future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Although the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company, and other risks and uncertainties not presently known by management could impair the Company and its business in the future.

### *Future capital needs and uncertainty of additional financing*

The Company may need to raise funds in order to support expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of Common Shares. If adequate funds are not available on acceptable terms, the Company may be unable to develop or enhance its business, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

### *Competition*

The Company faces competition from established competitors who have been traditionally providing currency exchange services, and also from competitors using alternative technologies. While the market for foreign currency exchange is highly fragmented in the United States, the Company believes that it must continue to develop new products and services and introduce enhancements to its existing products and services in a timely manner if it is to remain competitive. Even if the Company introduces new and enhanced products and services, it may not be able to compete effectively because of the significantly greater

Management Discussion and Analysis  
(All amounts expressed in U.S. Dollars unless otherwise noted)  
For the three months and year ended October 31, 2018 and 2017

*Competition (continued)*

financial, technical, marketing and other resources available to some of its competitors. As the markets for the Company's products and services expand, additional competition may emerge and competitors may commit more resources to competitive products and services. There can be no assurance that the Company will be able to compete successfully in these circumstances.

*Management of Growth*

The Company may experience rapid growth in the scope of its operations. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, financial compliance and management information systems, as well as hire, manage and retain its employees and maintain its compliant corporate culture including technical and customer service standards.

*Credit Risk*

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash in bank accounts, accounts receivable and forward contracts from hedging counterparties.

All banking relationships are negotiated by senior management. The Company maintains accounts in high quality financial institutions. At various times, the Company's bank balances exceed insured limits.

The credit risk associated with accounts receivable is limited, as the Company's receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. There is minimal counterparty risk as the majority of the Company's receivables reside with financial institutions and money service business customers. The company has longstanding relationships with most of its money service business customers and has a strong repayment history. For the purpose of risk control, the customers are grouped as follows: domestic and international financial institutions, money service businesses, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance. These limits are reviewed regularly by senior management. Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods.

A breakdown of accounts receivable by category is below:

|   | At October 31, 2018 | At October 31, 2017 |
|---|---------------------|---------------------|
| Customer type                                     | \$                  | \$                  |
| Domestic and international financial institutions | 4,883,305           | 3,625,821           |
| Money service businesses                          | 4,611,497           | 2,674,168           |
| Other   | 145,095             | 144,042             |
| <b>Total</b>                                      | <b>9,639,897</b>    | <b>6,444,031</b>    |

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position. There are no commitments that could increase this exposure to more than the carrying amount.

### *Foreign Currency Risk*

The volatility of the Company's foreign currency holdings may increase as a result of the political and financial environment of the corresponding issuing country. Several currencies have limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use in certain instances of forward contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. In order to mitigate the risks associated with holding these foreign currencies, the Company assigns wider bid/ask spreads and maintains specific inventory targets to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand within acceptable risk tolerances. The amount of unhedged inventory held in tills, vaults and in transit at October 31, 2018 was approximately \$7,440,000 (October 31, 2017 - \$7,930,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$5,360,000 (October 31, 2017 - \$5,320,000). A 2% increase/reduction in the market price for the aggregate of the Company's unhedged/un-pegged foreign currencies would result in an exchange gain/loss of approximately +\$107,000/- \$107,000 (October 31, 2017 gain/loss of approximately +\$106,000/- \$106,000).

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the U.S. Dollar and the Canadian Dollar, being the functional currency of its Canadian subsidiary. The Company does not hedge its net investment in its Canadian subsidiary and the related foreign currency translation of its earnings.

### *Interest Rate Risk*

At October 31, 2018, the Company had access to interest bearing financial instruments in cash, short term accounts payable and line of credit. A significant amount of the Company's cash is held as foreign currency bank notes in tills and vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company's accounts are interest bearing; however, since prevailing interest rates are low there is minimal interest rate risk. Borrowings bear interest at variable rates. Cash and borrowings issued at variable rates expose the Company to cash flow interest rate risk. For the interest rate profile of the Company's interest bearing financial liabilities, refer to Note 14 of the consolidated financial statements.

The Company manages interest rate risk in order to reduce the volatility of the financial results as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, senior management focuses on an internal long-term benchmark interest rate and considers the amount of cash currently held at a variable interest rate. Currently the interest rate exposure is un-hedged.

If interest rates had been 50 basis points higher/lower with all other variables held constant, after tax profit for the year ended October 31, 2018 would have been approximately +\$42,200/-42,200 higher/lower as a result of credit lines held at variable interest rates.

### *Liquidity Risk*

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The CFO informs the Chief Executive Officer, the Board of Directors, and the Audit Committee of capital and liquidity issues as they occur in accordance with established policies and guidelines. The Company targets to have a cash reserve or credit lines greater than 15% of the Company's prior year's revenues.

Management Discussion and Analysis  
(All amounts expressed in U.S. Dollars unless otherwise noted)  
For the three months and year ended October 31, 2018 and 2017

*Liquidity Risk (continued)*

The following are non-derivative contractual financial liabilities:

| Non-derivative<br>financial liabilities | At October 31, 2018 |                              | This fiscal year | Future fiscal years |
|---|---------------------|------------------------------|------------------|---------------------|
|   | Carrying amount     | Estimated contractual amount |                  |                     |
|   | \$                  | \$                           | \$               | \$                  |
| Accounts payable                        | 8,312,778           | 8,312,778                    | 8,312,778        | \$Nil               |
| Accrued expenses                        | 2,232,559           | 2,045,707                    | 2,045,707        | \$Nil               |

| Non-derivative<br>financial liabilities | At October 31, 2017 |                              | Next fiscal year | Future fiscal years |
|---|---------------------|------------------------------|------------------|---------------------|
|   | Carrying amount     | Estimated contractual amount |                  |                     |
|   | \$                  | \$                           | \$               | \$                  |
| Accounts payable                        | 4,939,749           | 4,939,749                    | 4,939,749        | \$Nil               |
| Accrued expenses                        | 2,115,943           | 1,885,351                    | 1,885,351        | \$Nil               |
| Income taxes payable                    | 419,917             | 419,917                      | 419,917          | \$Nil               |

*Capital Management*

The Company manages capital through its financial and operational forecasting processes. The Company defines working capital as total current assets less current liabilities. The Company reviews its working capital and forecasts its cash flows based on operating expenditures, and other investing and financing activities related to its daily operations.

|                     | At October 31, 2018 | At October 31, 2017 |
|---------------------|---------------------|---------------------|
| Current assets      | 70,028,474          | 60,253,686          |
| Current liabilities | (10,545,337)        | (7,475,609)         |
| Working capital     | <u>59,483,137</u>   | <u>52,778,077</u>   |

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, obtaining loan financing, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

*Product Development and Rapid Technological Change*

The advent of the “cashless society” may erode the physical bank note currency markets resulting in a significant adverse effect upon the Company’s continued growth and profitability. While the enabling technology has existed for over a decade, the development of a truly cashless society continues to be slowed by such factors as issues respecting infrastructure, cultural resistance, distribution problems and patchwork regulations. Nevertheless, the success of the Company could be seriously affected by a competitor’s ability to develop and market cash substitution technologies.

To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of its technology and website, CEIFX. The Internet and the e-commerce industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company’s existing operations

*Product Development and Rapid Technological Change (continued)*

and proprietary technology and systems obsolete. The Company's success will depend, in part, on its ability to develop leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its existing and prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of Internet based and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Company will successfully implement new technologies or adapt its website, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Company is unable to adapt in a timely manner in response to changing market conditions or customer requirements for technical, legal, financial or other reasons, the Company's business could be materially adversely affected.

*Intellectual Property*

Proprietary rights are important to the Company's success and its competitive position. Although the Company seeks to protect its proprietary rights, its actions may be inadequate to protect any trademarks and other proprietary rights or to prevent others from claiming violations of their trademarks and other proprietary rights. In addition, effective copyright and trademark protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate protection of the Company's intellectual work product. Any of these claims, with or without merit, could subject the Company to costly litigation and the diversion of the time and attention of its technical management personnel.

*Government Regulation and Compliance*

Any non-compliance with regulatory currency licensing and transaction reporting procedures could result in significant financial penalties and the possibility of criminal prosecution. The Company has a robust regulatory compliance management regime, overseen by experienced, Board-appointed Officers leading a well-resourced staff. The Company and its subsidiaries are regularly subject to regulatory as well as internal and/or external audits. Several countries prohibit non-banks from providing currency exchange transaction services. While the Company believes the possibility is remote, the risk does exist that the jurisdictions in which it operations may someday institute regulations to prohibit non-banks from providing foreign currency exchange services

*Network Security Risks*

Despite the implementation of network security measures by the Company, its infrastructure is potentially vulnerable to computer break-ins and similar disruptive problems. Concerns over Internet security have been, and could continue to be, a barrier to commercial activities requiring consumers and businesses to send confidential information over the Internet. Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to the Company's clients. Moreover, until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential clients may inhibit the growth of the Internet as a medium for commerce.

*Risk of System Failure or Inadequacy*

The Company's operations are dependent on its ability to maintain its equipment in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, the growth of the Company's customer base may strain or exceed the capacity of its computer and telecommunications systems and lead to degradations in performance or systems failure. The Company may in the future experience failure of its

*Risk of System Failure or Inadequacy (continued)*

information systems which may result in decreased levels of service delivery or interruptions in service to its customers. While the Company continually reviews and seeks to upgrade its technical infrastructure and maintains a fully integrated, offsite, backup server farm to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

In addition, some of the Company's applications are hosted by third parties. Any failure on the part of third parties to maintain their equipment in good working order and to prevent system disruptions could have a material and adverse effect on the Company's business.

*Theft and Risk of Physical Harm to Personnel*

The Company stores and transports bank notes as part of its daily business and faces the risk of theft and employee dishonesty.

The Company maintains a crime insurance policy which provides coverage against theft and employee dishonesty, but any particular claim is subject to verification that it is within policy limits which may not be assured and may require legal proceedings to enforce coverage. The Company's Audit Committee monitors internal controls and the CEIFX technology monitors and accounts for all fund balances in real time.

In addition, employees and agents of the Company are potentially subject to physical harm if subjected to a forcible robbery. The Company's Management Committee oversees the deployment of a comprehensive security program which includes surveillance cameras, alarms, safe/vault equipment alarms and additional intrusion protection devices, as well as multiple staff on site at all times.

*Reliance on Key Personnel*

The Company currently has a small senior management group, which is sufficient for the Company's present level of activity. The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company relies on a limited number of key employees, consultants and members of senior management and there is no assurance that the Company will be able to retain such key employees, consultants and senior management. The loss of one or more of such key employees, consultants or members of senior management, if not replaced, could have a material adverse effect on the Company's business, financial condition and prospects.

The development of the Company is dependent upon its ability to attract and retain key personnel, particularly the services of the President and CEO, Randolph W. Pinna. The loss of Mr. Pinna's services could have a materially adverse impact on the business of the Company. There can be no assurance that the Company can retain its key personnel or that it can attract and train qualified personnel in the future. The Company currently has key person insurance on Mr. Pinna of \$4.5 million.

*Control of the Company*

Randolph W. Pinna, the Chief Executive Officer and Chairman of the Company, is the principal shareholder of the Company and the promoter of the Company. Mr. Pinna beneficially owns approximately 21%, net of options, of the issued and outstanding Common Shares.

By virtue of his status as the principal shareholder of the Company and by being a director and officer of the Company, Mr. Pinna has the power to exercise significant influence over all matters

*Control of the Company (continued)*

requiring shareholder approval, including the election of directors, amendments to the Company's articles and by-laws, mergers, business combinations and the sale of substantially all of the Company's assets. As a result, the Company could be prevented from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by Mr. Pinna of a substantial number of Common Shares could cause the market price of Common Shares to decline.

Mr. Pinna's influence over the control of the Company is mitigated by the Company's appointment of a Lead Independent Director, Chirag Bhavsar, on December 7, 2012 as well as the independent majority of its Board of Directors and its Committees.

*Global Economic and Financial Market Conditions*

Market events and conditions, including disruption in the U.S. and Canadian, international credit markets and other financial systems and the deterioration of U.S. and Canadian, global economic conditions, could, among other things, impact tourism and impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

Market disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

*Market Price and Volatile Securities Markets*

Market forces may render it difficult or impossible for the Company to secure purchasers to purchase its securities at a price which will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount paid on dispositions of their Common Shares during periods of such market price decline.

*International Issuer, Management and Directors*

The Company is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Certain of the officers and directors of the Company reside outside of Canada. Although the Company and such persons have appointed Peterson Law Professional Company as their agents for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against the Company or such persons.

CURRENCY EXCHANGE INTERNATIONAL, CORP.

Consolidated Financial Statements  
For the years ended October 31, 2018 and 2017  
(Expressed in U.S. Dollars)

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# Independent auditor's report

**Grant Thornton LLP**  
Suite 501  
201 City Centre Drive  
Mississauga, ON  
L5B 2T4

T + 1 416 369 7076  
F + 1 905 804 0509  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the shareholders of  
**Currency Exchange International, Corp.**

We have audited the accompanying consolidated financial statements of Currency Exchange International, Corp., which comprise the consolidated statements of financial position as at October 31, 2018 and October 31, 2017, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Currency Exchange International, Corp. as at October 31, 2018 and October 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A stylized, handwritten-style signature of "Grant Thornton LLP" in a dark, cursive script.

Toronto, Canada  
January 22, 2019

Chartered Professional Accountants  
Licensed Public Accountants

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Financial Position**  
**October 31, 2018 and 2017**  
**(Expressed in U.S. Dollars)**

|   | <b>ASSETS</b>                 |                         |
|---|-------------------------------|-------------------------|
|   | <b>October 31, 2018</b>       | <b>October 31, 2017</b> |
| <b>Current assets</b>                   |                               |                         |
|   | \$                            | \$                      |
| Cash (Note 5)                           | 56,402,979                    | 51,147,685              |
| Accounts receivable (Note 14)           | 9,639,897                     | 6,444,031               |
| Restricted cash held in escrow (Note 6) | 1,998,942                     | 1,972,168               |
| Forward contract assets (Note 13)       | 10,857                        | 17,858                  |
| Income taxes receivable                 | 840,213                       | -                       |
| Other current assets (Note 20)          | 1,135,586                     | 671,944                 |
| <b>Total current assets</b>             | <b>70,028,474</b>             | <b>60,253,686</b>       |
| Property and equipment (Note 8)         | 990,374                       | 1,003,639               |
| Intangible assets (Note 9)              | 1,424,879                     | 1,510,665               |
| Other assets                            | 93,280                        | 90,923                  |
| Net deferred tax asset (Note 10)        | 730,267                       | 1,109,314               |
| <b>Total assets</b>                     | <b>73,267,274</b>             | <b>63,968,227</b>       |
|   |                               |                         |
|   | <b>LIABILITIES AND EQUITY</b> |                         |
| <b>Current liabilities</b>              |                               |                         |
| Accounts payable                        | 8,312,778                     | 4,939,749               |
| Accrued expenses                        | 2,232,559                     | 2,115,943               |
| Income taxes payable                    | -                             | 419,917                 |
| <b>Total current liabilities</b>        | <b>10,545,337</b>             | <b>7,475,609</b>        |
| <b>Total liabilities</b>                | <b>10,545,337</b>             | <b>7,475,609</b>        |
| <b>Equity</b>                           |                               |                         |
| Share capital                           | 6,407,667                     | 6,263,428               |
| Equity reserves                         | 28,529,465                    | 26,671,628              |
| Retained earnings                       | 27,784,805                    | 23,557,562              |
| <b>Total equity</b>                     | <b>62,721,937</b>             | <b>56,492,618</b>       |
| <b>Total liabilities and equity</b>     | <b>73,267,274</b>             | <b>63,968,227</b>       |

Approved on behalf of Board of Directors:

(signed) "Randolph Pinna", Director

(signed) "Chirag Bhavsar", Director

The accompanying notes are an integral part of these consolidated financial statements.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Income and Comprehensive Income**  
**Years ended October 31, 2018 and 2017**  
**(Expressed in U.S. Dollars)**

|   | Year ended       |                  |
|---|------------------|------------------|
|   | October 31, 2018 | October 31, 2017 |
| <b>Revenues</b>   | \$               | \$               |
| Commission revenue  | 36,722,112       | 30,462,663       |
| Fee income  | 2,376,029        | 2,014,557        |
| <b>Total revenues (Note 4)</b>  | 39,098,141       | 32,477,220       |
| Operating expenses (Note 18)  | 30,960,337       | 24,555,711       |
| <b>Net operating income</b>   | 8,137,804        | 7,921,509        |
| Interest revenue  | 12,707           | 26,854           |
| <b>Earnings before interest, taxes, depreciation and amortization</b> | 8,150,511        | 7,948,363        |
| Interest expense (Note 12)  | 369,724          | 162,554          |
| Depreciation and amortization   | 1,371,256        | 1,324,211        |
| <b>Income before income taxes</b>                                     | 6,409,531        | 6,461,598        |
| Income tax expense (Note 10)  | 2,182,288        | 2,640,129        |
| <b>Net income for the period</b>                                      | 4,227,243        | 3,821,469        |
| <b>Other comprehensive income, after tax</b>                          |                  |                  |
| Net income for the period   | 4,227,243        | 3,821,469        |
| <b>Items that may subsequently be reclassified to profit or loss</b>  |                  |                  |
| Exchange differences on translating foreign operations                | (335,061)        | 609,519          |
| <b>Total other comprehensive income</b>                               | 3,892,182        | 4,430,988        |
| <b>Earnings per share (Note 17)</b>                                   |                  |                  |
| -basic  | \$0.67           | \$0.62           |
| -diluted  | \$0.67           | \$0.61           |
| <b>Weighted average number of common shares outstanding (Note 17)</b> |                  |                  |
| -basic  | 6,300,026        | 6,198,775        |
| -diluted  | 6,344,557        | 6,266,840        |

The accompanying notes are an integral part of these consolidated financial statements.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Changes in Equity**  
**Years ended October 31, 2018 and 2017**  
**(Expressed in U.S Dollars)**

|   | Share Capital    |                  | Equity Reserves   |   |                |                  | Retained Earnings | Total Equity      |
|---|------------------|------------------|-------------------|---|----------------|------------------|-------------------|-------------------|
|   | Shares           | Amount           | Share premium     | Accumulated Other Comprehensive Income (Loss) | Stock Options  |                  | Amount            | Amount            |
|   | #                | \$               | \$                | \$  | #              | \$               | \$                | \$                |
| <b>Balance at November 1, 2017</b>  | 6,263,428        | 6,263,428        | 30,208,552        | (5,154,332)                                   | 442,223        | 1,617,408        | 23,557,562        | 56,492,618        |
| Stock based compensation (Note 16)  | -                | -                | -                 | -   | 153,812        | 807,539          | -                 | 807,539           |
| Issue of share capital and share premium on exercise of stock options (Note 16) | 144,239          | 144,239          | 2,219,026         | -   | (146,230)      | (655,678)        | -                 | 1,707,587         |
| Forfeited options (Note 16)   | -                | -                | -                 | -   | (25,310)       | (177,989)        | -                 | (177,989)         |
| Loss on foreign currency translation  | -                | -                | -                 | (335,061)                                     | -              | -                | -                 | (335,061)         |
| Net income  | -                | -                | -                 | -   | -              | -                | 4,227,243         | 4,227,243         |
| <b>Balance, October 31, 2018</b>  | <b>6,407,667</b> | <b>6,407,667</b> | <b>32,427,578</b> | <b>(5,489,393)</b>                            | <b>424,495</b> | <b>1,591,280</b> | <b>27,784,805</b> | <b>62,721,937</b> |
| <b>Balance at November 1, 2016</b>  | 6,134,815        | 6,134,815        | 29,082,296        | (5,763,851)                                   | 521,592        | 1,562,998        | 19,736,093        | 50,752,351        |
| Stock based compensation (Note 16)  | -                | -                | -                 | -   | 111,885        | 703,042          | -                 | 703,042           |
| Issue of share capital and share premium on exercise of stock options (Note 16) | 128,613          | 128,613          | 1,126,256         | -   | (151,185)      | (501,969)        | -                 | 752,900           |
| Forfeited options (Note 16)   | -                | -                | -                 | -   | (40,069)       | (146,663)        | -                 | (146,663)         |
| Gain on foreign currency translation  | -                | -                | -                 | 609,519                                       | -              | -                | -                 | 609,519           |
| Net income  | -                | -                | -                 | -   | -              | -                | 3,821,469         | 3,821,469         |
| <b>Balance, October 31, 2017</b>  | <b>6,263,428</b> | <b>6,263,428</b> | <b>30,208,552</b> | <b>(5,154,332)</b>                            | <b>442,223</b> | <b>1,617,408</b> | <b>23,557,562</b> | <b>56,492,618</b> |

The accompanying notes are an integral part of these consolidated financial statements.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Cash Flows**  
**Years ended October 31, 2018 and 2017**  
**(Expressed in U.S. Dollars)**

|   | <b>Year ended<br/>October 31, 2018</b> | <b>Year ended<br/>October 31, 2017</b> |
|---|--|--|
|   | <b>\$</b>                              | <b>\$</b>                              |
| <b>Cash flows from operating activities</b>                                     |  |  |
| Net income  | 4,227,243                              | 3,821,469                              |
| Adjustments to reconcile net income to net cash flows from operating activities |  |  |
| Depreciation and amortization   | 1,371,256                              | 1,324,211                              |
| Stock based compensation  | 629,550                                | 556,379                                |
| Change in forward contract positions (Note 15)                                  | 6,569                                  | 24,051                                 |
| Deferred taxes  | 377,133                                | (352,316)                              |
| <b>Increase (decrease) in cash due to change in:</b>                            |  |  |
| Accounts receivable   | (3,323,832)                            | 1,724,792                              |
| Restricted cash held in escrow  | (26,774)                               | (731,474)                              |
| Other assets  | (472,603)                              | (16,470)                               |
| Accounts payable, accrued expenses, and income taxes payable                    | 2,283,429                              | (841,859)                              |
| <b>Net cash flows from operating activities</b>                                 | <b>5,071,971</b>                       | <b>5,508,783</b>                       |
| <b>Cash flows from investing activities</b>                                     |  |  |
| Purchase of property and equipment  | (483,282)                              | (748,334)                              |
| Purchase of intangible assets   | (831,233)                              | (227,980)                              |
| <b>Net cash outflow from investing activities</b>                               | <b>(1,314,515)</b>                     | <b>(976,314)</b>                       |
| <b>Cash flows from financing activities</b>                                     |  |  |
| Proceeds from exercise of stock options (Note 16)                               | 1,707,588                              | 752,903                                |
| Net payments on line of credit (Note 12)  | -                                      | (3,181,805)                            |
| <b>Net cash flows from financing activities</b>                                 | <b>1,707,588</b>                       | <b>(2,428,902)</b>                     |
| <b>Net change in cash</b>   | <b>5,465,044</b>                       | <b>2,103,567</b>                       |
| Cash, beginning of period   | 51,147,685                             | 48,435,544                             |
| Exchange difference on foreign operations                                       | (209,750)                              | 608,574                                |
| Cash, end of period   | <b>56,402,979</b>                      | <b>51,147,685</b>                      |
| <br><b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                     |  |  |
| Cash paid during the period for income taxes                                    | 3,083,321                              | 2,299,009                              |
| Cash paid during the period for interest  | 369,724                                | 122,909                                |
| Cash received during the year for interest                                      | 12,707                                 | 13,427                                 |

The accompanying notes are an integral part of these consolidated financial statements.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**1. Nature of Operations and Basis of Presentation**

*Nature of operations*

Currency Exchange International, Corp. (the "**Company**") was originally incorporated under the name Currency Exchange International, Inc. under the Florida Business Corporation Act on April 7, 1998. The Company changed its name to Currency Exchange International, Corp. on October 19, 2007 and commenced its current business operations at that time. The Company is a public corporation whose shares are listed and posted for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "CXI," and the over the counter market ("**OTCBB**") in the United States under the symbol "CURN". The Company operates as a money service business and provides currency exchange, wire transfer, and cheque cashing services at its locations in the United States and Canada. The Company maintains a head office and five vaults as well as 43 branch locations. The Company's registered head office is located at 6675 Westwood Boulevard, Suite 300, Orlando, Florida, 32821, United States of America. The Company's wholly owned Canadian Subsidiary, Exchange Bank of Canada ("**EBC**") is a non-deposit taking, non-lending financial institution engaged in foreign exchange services and is registered as a Schedule 1 bank.

*Basis of presentation*

The presentation currency of the Company's consolidated financial statements is the U.S. Dollar. The accounting policies set out in Note 2 have been applied consistently to all periods presented in these consolidated financial statements. These consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit or loss ("**FVTPL**"), foreign currency forward contracts and share-based payment plans. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

*Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The consolidated financial statements were authorized for issue and approved by the Board of Directors on January 22, 2018.

*Significant management judgment in applying accounting policies and estimation uncertainty*

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expense.

*Significant management judgment*

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements:

*Carrying value of internally developed software*

The Company makes significant judgments about the value of its proprietary software, [www.ceifx.com](http://www.ceifx.com). Once the scope of a project is deemed technologically feasible, the Company capitalizes costs incurred for the planning, development, and testing phases of modules developed within its software. Subsequent to the completion of the software development cycle, each module is amortized over its estimated useful economic life, which has been assessed as a period of five years. Costs relating to software maintenance, regular software updates, and minor software customizations are expensed as incurred. The Company reviews completed software modules within [www.ceifx.com](http://www.ceifx.com) for impairment on an ongoing basis.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**1. Nature of Operations and Basis of Presentation (continued)**

*Income taxes and recoverability of potential deferred tax assets*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are (i) within the Company's control, (ii) feasible, and (iii) within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

*Estimation uncertainty*

Estimates and underlying assumptions are reviewed on an ongoing basis. Information about estimates and assumptions that have the most significant effect on recognition and measurements of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Share-based payments*

Management determines the overall expense for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. The determination of the most appropriate valuation model is dependent on the terms and conditions of the grant. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates, future employee stock option exercise behaviors and corporate performance. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*Assets' carrying values and impairment charges*

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell (in the case of non-financial assets) and at objective evidence, for a significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. The Company reviews property and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

*Depreciation and Amortization expense*

The Company's property and equipment and intangible assets are depreciated and amortized over their estimated useful economic lives. Useful lives are based upon management's best estimates of the length of time that the assets will generate revenue, which is reviewed at least annually for appropriateness. Changes to these estimates can result in variations in the amounts charged for depreciation or amortization and in the assets' carrying amounts.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**1. Nature of Operations and Basis of Presentation (continued)**

*Fair value measurement*

Management uses valuation techniques to determine the fair value of certain financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as much as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

*Contingencies*

The Company is subject to contingencies that are not recognized as liabilities because they are either:

- possible obligations that have yet to be confirmed whether the Company has a present obligation that could lead to an outflow of resources embodying economic benefits; or
- present obligations that do not meet recognition criteria because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

Refer to Note 19.

**2. Accounting Policies**

*Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, EBC, a Schedule 1 bank in Canada. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. All material intercompany transactions are eliminated on consolidation.

*Cash*

Cash includes, but is not limited to:

- local and foreign currencies held in tills and vaults;
- local and foreign currencies in transit;
- local and foreign currencies in branches or distribution centers; and
- cash in bank accounts.

Foreign cash is recorded at fair value based on foreign exchange rates as at October 31, 2018 and 2017, respectively.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**2. Accounting Policies (continued)**

*Accounts receivable*

Trade accounts receivable are stated net of an allowance for doubtful accounts. Accounts receivable consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. The amount of accounts receivable varies widely from period to period due to the volume of activity and timing differences. There is minimal counter-party risk as the majority of the Company's receivables reside with banks, money service business customers and other financial institutions. The Company has longstanding relationships with most of its customers and has a strong repayment history. Management estimates the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. The Company does not accrue interest on past due receivables. Management determined that the allowance for doubtful accounts was \$Nil as of October 31, 2018 and 2017, respectively.

*Revenue recognition*

Commission revenues are the difference between the cost and selling price of foreign currency products, including bank notes, wire transmissions, cheque collections and draft issuances (foreign currency margin) and the revaluation of open foreign exchange positions to market value, together with the net gain or loss from foreign currency forward contracts and commissions paid on the sale and purchase of currencies. The amount of this spread is based on competitive conditions and the convenience and value-added services offered. These revenue streams are all reflected in commission revenues and are recognized at the time each transaction occurs on a trade date basis or at the end of each reporting period when revaluations of foreign exchange positions take place.

Fee income includes fees collected on cheque cashing, wire transfers, cheque collections, and currency exchange transactions. Fee income is recognized at the time the transaction occurs on a trade date basis.

*Foreign currency translation*

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated at rates as at that date. Exchange gains and losses, which arise from normal trading activities, are included in operating expenses in the consolidated statements of income and comprehensive income when incurred. The functional currency of EBC is the Canadian Dollar and the functional currency of the Company is the U.S. Dollar.

In situations where the functional currency is not the same as the presentation currency, foreign currency denominated assets and liabilities are translated to their presentation currency equivalents using foreign exchange rates in effect at the consolidated statement of financial position date. Revenues and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on the consolidation of the Canadian subsidiary are included in accumulated other comprehensive income. On disposal of a foreign operation, the related cumulative translation differences recognized in equity reserves are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

*Foreign currency forward contracts*

Foreign currency forward contracts are recognized on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The instrument is derecognized from the consolidated statement of financial position when the contractual rights or obligations arising from that instrument expire or are extinguished. Forward currency contracts are recognized at fair value. The gain or loss on fair value is recognized in income immediately in the consolidated statement of income and comprehensive income.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**2. Accounting Policies (continued)**

*Leases*

The Company has entered into various operating leases. Payments on operating lease agreements are recognized and expensed on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

*Property and equipment*

Property and equipment is initially recorded at its cost and depreciated over its estimated useful life. Cost includes expenditures which are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated on a straight-line basis, as follows:

|                         |   |
|-------------------------|---|
| Vehicles                | 3 years                                 |
| Computer equipment      | 3 years                                 |
| Furniture and equipment | 3 years                                 |
| Leasehold improvements  | lesser of the lease term or useful life |

When parts of an asset have different useful lives, depreciation is calculated on each separate part. In determining the useful lives of the component parts, the Company considers both the physical condition of the parts as well as technological life limitations. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

*Provisions*

Provisions are recognized when, (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Intangible assets*

Intangible assets are comprised of the Company's internally developed software ("CEIFX") and its related modules as well as software and customer trading relationships acquired through an asset purchase transaction. Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they have met the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible ;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalization are expensed as incurred.

Amortization for intangibles is computed on an individual basis over the estimated economic life using the straight-line method as follows:

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**2. Accounting Policies (continued)**

|                                |         |
|--------------------------------|---------|
| Internally developed software  | 5 years |
| Acquired software              | 2 years |
| Customer trading relationships | 5 years |

Residual values and useful lives are reviewed at each reporting date.

*Share-based payments*

The Company's share option plan allows certain employees, directors and consultants to acquire shares of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee, director or consultant becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

*Financial instruments*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at FVTPL which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

*Financial assets*

Financial assets within the scope of International Accounting Standards ("IAS") 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") are classified as financial assets at FVTPL, loans and receivables, held-to-maturity investments or available-for-sale financial assets for purposes of subsequent measurement. The Company determines the classification of its financial assets at initial recognition. Note that the Company does not hold any held-to-maturity or available-for-sale financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

*Fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or they meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated as effective hedging instruments, for which the hedge accounting requirements apply. Assets within this category are initially recognized at fair value with changes in fair value recorded profit or loss. The fair values of financial assets in this category are determined by reference to active market transaction or using a valuation technique where no active market exists. Cash in local and foreign currencies held in tills, vaults, or in transit as well as derivatives (forward contracts) are included in this category of financial assets.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**2. Accounting Policies (continued)**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a current asset or current liability unless it is not expected to be realized or settled within the next 12 months.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets including accounts receivable, restricted cash held in escrow and financial instruments included in other current assets are all classified as loans and receivables.

Individually significant receivables are considered for impairment when they are past due or when objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the type of counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

*Financial liabilities*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Company's financial liabilities include accounts payable and accrued expenses. All financial liabilities are classified as other financial liabilities.

*Other financial liabilities*

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

*Financial instruments recorded at fair value*

Financial instruments recorded at fair value in the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**Years ended October 31, 2018 and 2017**

**2. Accounting Policies (continued)**

*Earnings per share*

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive warrants and options outstanding that may add to the total number of common shares.

*Income taxes*

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the consolidated statement of financial position date.

Deferred income taxes are calculated using the liability method on temporary differences. Tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the consolidated statement of financial position date. This provision is not discounted. Deferred tax liabilities are generally recognized in full, although IAS 12 *Income Taxes* ("**IAS 12**") specifies limited exemptions. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Management bases its assessment of the probability of future taxable income on the Company's latest approved forecasts, which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The specific tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Changes in deferred tax assets and liabilities are recognized as a component of tax expense in the consolidated statement of income and comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

**3. Future Accounting Pronouncements**

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee ("**IFRIC**"). Many are not applicable or do not have a significant impact to the Company and have been excluded. The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 *Financial Instruments* ("**IFRS 9**") was issued in July 2014. IFRS 9 replaces **IAS 39** *Financial Instruments: Recognition and Measurement*. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has performed an assessment and determined that the adoption of IFRS 9 will not have a significant impact on its consolidated financial statements. The Standard was adopted effective November 1, 2018.

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**3. Future Accounting Pronouncements (continued)**

IFRS 15 *Revenue from Contracts with Customers* (“**IFRS 15**”) was issued in May 2014. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model; changes the basis for deciding whether revenue is to be recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. In July 2015, the IASB approved a one-year deferral of the effective date of IFRS 15 to fiscal periods beginning on or after January 1, 2018, with early adoption permitted. The Company has performed an assessment and determined that the adoption of IFRS 15 will not have a significant impact on its consolidated financial statements. The Standard was adopted effective November 1, 2018.

IFRS 16 *Leases* (“**IFRS 16**”) was issued in January 2016. IFRS 16 replaces IAS 17 *Leases*. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019, with early adoption permitted. The Company has not yet determined the full impact of IFRS 16 on its consolidated financial statements. The Company believes that the most significant impact will be the recognition of a right-of-use asset and a corresponding lease liability on the statement of financial position for certain facilities currently treated as operating leases.

**4. Segments**

The Company operates in the United States and Canada. The Company's revenue from external customers and information about its assets by geographical location and product line are detailed below:

|                             | Revenues (\$) |           |            |
|-----------------------------|---------------|-----------|------------|
|                             | United States | Canada    | Total      |
| Year ended October 31, 2018 | 33,234,379    | 5,863,762 | 39,098,141 |
| Year ended October 31, 2017 | 28,505,302    | 3,971,918 | 32,477,220 |

|                             | Revenues by Product Line |           |            |
|-----------------------------|--------------------------|-----------|------------|
|                             | Banknotes                | Payments  | Total      |
| Year ended October 31, 2018 | 37,393,050               | 1,705,091 | 39,098,141 |
| Year ended October 31, 2017 | 31,348,651               | 1,128,569 | 32,477,220 |

| Assets                         | At October 31, 2018 |            |            | At October 31, 2017 |            |            |
|--------------------------------|---------------------|------------|------------|---------------------|------------|------------|
|                                | United States       | Canada     | Total      | United States       | Canada     | Total      |
|                                | \$                  | \$         | \$         | \$                  | \$         | \$         |
| Cash                           | 39,064,052          | 17,338,927 | 56,402,979 | 34,935,125          | 16,212,560 | 51,147,685 |
| Accounts receivable            | 3,451,715           | 6,188,182  | 9,639,897  | 4,272,920           | 2,171,111  | 6,444,031  |
| Restricted cash held in escrow | 1,998,942           | -          | 1,998,942  | 1,972,168           | -          | 1,972,168  |
| Forward contract assets        | (35)                | 10,892     | 10,857     | 17,858              | -          | 17,858     |
| Other current assets           | 817,927             | 317,659    | 1,135,586  | 576,351             | 95,593     | 671,944    |
| Property and equipment         | 694,331             | 296,043    | 990,374    | 799,758             | 203,881    | 1,003,639  |
| Intangible assets              | 1,077,270           | 347,609    | 1,424,879  | 1,200,712           | 309,953    | 1,510,665  |
| Other assets                   | 93,280              | -          | 93,280     | 90,923              | -          | 90,923     |
| Income taxes receivable        | 426,084             | 414,129    | 840,213    | -                   | -          | -          |
| Net deferred tax asset         | 630,516             | 99,751     | 730,267    | 1,001,597           | 107,717    | 1,109,314  |
| Total assets                   | 48,254,082          | 25,013,192 | 73,267,274 | 44,867,412          | 19,100,815 | 63,968,227 |

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**5. Cash**

Included within cash of \$56,402,979 at October 31, 2018 (2017 - \$51,147,685) are the following balances:

|  | At October 31, 2018 | At October 31, 2017 |
|--|---------------------|---------------------|
|  | \$                  | \$                  |
| Cash held in transit, vaults, tills and consignment locations                  | 44,609,002          | 43,786,752          |
| Cash deposited in bank accounts in jurisdictions in which the Company operates | 11,793,977          | 7,360,933           |
| <b>Total</b>   | <b>56,402,979</b>   | <b>51,147,685</b>   |

**6. Restricted Cash Held in Escrow**

Certain of the Company's secured transactions and derivative contracts require the Company to post cash collateral or maintain minimum cash balances in escrow. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated. The Company had cash collateral amounts of \$1,998,942 at October 31, 2018 (2017 - \$1,972,168).

**7. Operating Leases**

The Company and its subsidiary companies entered into non-cancellable operating leases with terms in excess of one year for the use of certain facilities. The rent expense associated with these leases for the year ended October 31, 2018 was \$3,381,155 (2017 - \$3,018,722).

The following is a schedule of future minimum rental payments under these lease agreements:

|                  | Within 1 year | 1 to 5 years | after 5 years | Total     |
|------------------|---------------|--------------|---------------|-----------|
|                  | \$            | \$           | \$            | \$        |
| October 31, 2018 | 2,604,237     | 4,604,233    | -             | 7,208,470 |
| October 31, 2017 | 2,256,996     | 3,275,900    | -             | 5,532,896 |

**8 Property and Equipment**

Property and equipment consist of the following:

|                           | Vehicles | Computer equipment | Furniture and equipment | Leasehold improvements | Total     |
|---------------------------|----------|--------------------|-------------------------|------------------------|-----------|
| Cost                      | \$       | \$                 | \$                      | \$                     | \$        |
| Balance, October 31, 2016 | 80,247   | 253,411            | 527,082                 | 1,502,864              | 2,363,604 |
| Additions                 | -        | 56,668             | 220,445                 | 471,221                | 748,334   |
| Net exchange differences  | -        | 1,435              | 5,541                   | 5,956                  | 12,932    |
| Balance, October 31, 2017 | 80,247   | 311,514            | 753,068                 | 1,980,041              | 3,124,870 |
| Additions                 | 33,987   | 98,641             | 111,597                 | 239,057                | 483,282   |
| Disposals                 | (32,995) | -                  | -                       | -                      | (32,995)  |
| Net exchange differences  | -        | (1,850)            | (5,317)                 | (5,522)                | (12,689)  |
| Balance, October 31, 2018 | 81,239   | 408,305            | 859,348                 | 2,213,576              | 3,562,468 |

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**8 Property and Equipment (continued)**

|                           | Vehicles | Computer equipment | Furniture and equipment | Leasehold improvements | Total     |
|---------------------------|----------|--------------------|-------------------------|------------------------|-----------|
| <b>Depreciation</b>       | \$       | \$                 | \$                      | \$                     | \$        |
| Balance, October 31, 2016 | 49,993   | 206,371            | 340,315                 | 1,047,671              | 1,644,350 |
| Additions                 | 16,188   | 39,221             | 142,780                 | 270,876                | 469,065   |
| Net exchange differences  | -        | 1,036              | 2,751                   | 4,029                  | 7,816     |
| Balance, October 31, 2017 | 66,181   | 246,628            | 485,846                 | 1,322,576              | 2,121,231 |
| Additions                 | 18,101   | 46,617             | 150,718                 | 275,094                | 490,531   |
| Disposals                 | (32,995) | -                  | -                       | -                      | (32,995)  |
| Net exchange differences  | -        | (813)              | (3,128)                 | (2,731)                | (6,672)   |
| Balance, October 31, 2018 | 51,287   | 292,432            | 633,436                 | 1,594,939              | 2,572,094 |

|                           | Vehicles | Computer equipment | Furniture and equipment | Leasehold improvements | Total     |
|---------------------------|----------|--------------------|-------------------------|------------------------|-----------|
| <b>Carrying amounts</b>   | \$       | \$                 | \$                      | \$                     | \$        |
| Balance, October 31, 2017 | 14,066   | 64,886             | 267,222                 | 657,465                | 1,003,639 |
| Balance, October 31, 2018 | 29,952   | 115,873            | 225,912                 | 618,637                | 990,374   |

**9. Intangible Assets**

Intangible assets are comprised of the Company's internally developed software ("CEIFX") and its related modules as well as software and customer trading relationships acquired through an asset purchase transaction. Amortization for intangibles is computed on an individual basis over the estimated useful life using the straight-line method as follows:

|                                |         |
|--------------------------------|---------|
| Internally developed software  | 5 years |
| Acquired software              | 2 years |
| Customer trading relationships | 5 years |

Intangible assets consist of the following at October 31, 2018 and 2017:

|                           | Internally developed software | Acquired software | Customer trading relationships | Total     |
|---------------------------|-------------------------------|-------------------|--------------------------------|-----------|
| <b>Cost</b>               | \$                            | \$                | \$                             | \$        |
| Balance, October 31, 2016 | 1,188,137                     | 480,000           | 3,288,283                      | 4,956,420 |
| Additions                 | 227,980                       | -                 | -                              | 227,980   |
| Balance, October 31, 2017 | 1,416,117                     | 480,000           | 3,288,283                      | 5,184,400 |
| Additions                 | 831,233                       | -                 | -                              | 831,233   |
| Net exchange differences  | (5,579)                       | -                 | -                              | (5,579)   |
| Balance, October 31, 2018 | 2,241,771                     | 480,000           | 3,288,283                      | 6,010,054 |

|                           | Internally developed software | Acquired software | Customer trading relationships | Total     |
|---------------------------|-------------------------------|-------------------|--------------------------------|-----------|
| <b>Amortization</b>       | \$                            | \$                | \$                             | \$        |
| Balance, October 31, 2016 | 605,973                       | 480,000           | 1,698,946                      | 2,784,919 |
| Amortization              | 231,159                       | -                 | 633,688                        | 864,847   |
| Net exchange differences  | -                             | -                 | 23,969                         | 23,969    |
| Balance, October 31, 2017 | 837,132                       | 480,000           | 2,356,603                      | 3,673,735 |
| Amortization              | 253,784                       | -                 | 626,941                        | 880,725   |
| Net exchange differences  | -                             | -                 | 30,716                         | 30,716    |
| Balance, October 31, 2018 | 1,090,916                     | 480,000           | 3,014,260                      | 4,585,176 |

|                           | Internally developed software | Acquired software | Customer trading relationships | Total     |
|---------------------------|-------------------------------|-------------------|--------------------------------|-----------|
| <b>Carrying amounts</b>   | \$                            | \$                | \$                             | \$        |
| Balance, October 31, 2017 | 578,985                       | -                 | 931,680                        | 1,510,665 |
| Balance, October 31, 2018 | 1,150,855                     | -                 | 274,024                        | 1,424,879 |

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**10. Income Taxes**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of October 31, 2018 and 2017 consist of the following:

|                                 | <b>October 31, 2018</b> | <b>October 31, 2017</b> |
|---------------------------------|-------------------------|-------------------------|
|                                 | \$                      | \$                      |
| <b>Deferred tax assets</b>      |                         |                         |
| Accrued expenses                | 246,198                 | 351,924                 |
| Stock based compensation        | 349,829                 | 677,083                 |
| Other                           | 28,873                  | 21,263                  |
| Net intangible assets           | 212,958                 | 298,280                 |
| Total deferred tax assets       | 837,858                 | 1,348,550               |
| <b>Deferred tax liabilities</b> |                         |                         |
| Net property and equipment      | (107,591)               | (239,236)               |
| Total deferred tax liabilities  | (107,591)               | (239,236)               |
| Net deferred tax asset          | 730,267                 | 1,109,314               |

Reconciliation of the provision for income taxes to the amount calculated using the Company's statutory tax rate for the year ended October 31, 2018 and 2017 are as follows:

|   | <b>October 31, 2018</b> | <b>October 31, 2017</b> |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>Income before taxes</b>                                  | 6,409,531               | 6,461,598               |
| Statutory tax rate  | 28.41%                  | 38.50%                  |
| Tax expense at statutory rate                               | 1,820,648               | 2,487,715               |
| Sec. 965 Repatriation Tax - Current                         | 80,000                  | -                       |
| Recovery on exercise of director and employee stock options | (267,990)               | (24,092)                |
| Foreign tax rate adjustment                                 | 538,978                 | 84,329                  |
| Other non-deductible differences                            | 10,652                  | 92,177                  |
| Income tax expense  | 2,182,288               | 2,640,129               |

The enacted tax rates in the United States of 22% (2017 - 38.5%) and Canada of 26.5% (2017 – 26.5%) where the Company operates are applied in the in the tax provision calculation.

The provision for income taxes for the year ended October 31, 2018 and 2017 consists of the following:

|                      | <b>October 31, 2018</b> | <b>October 31, 2017</b> |
|----------------------|-------------------------|-------------------------|
|                      | \$                      | \$                      |
| Current tax expense  | 1,803,241               | 2,995,330               |
| Deferred tax benefit | 379,047                 | (355,201)               |
| Income tax expense   | 2,182,288               | 2,640,129               |

**11. Seasonality of Operations**

Seasonality is reflected in the timing of when foreign currencies are in greater or lower demand. In a normal operating year there is some seasonality to the Company's operations with higher commissions generally from March until September and lower commissions from October to February. This coincides with peak tourism seasons in North America when there are generally more travelers entering and leaving the United States and Canada.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
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**12. Lines of Credit**

The Company maintains lines of credit to meet borrowing needs during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A, which was increased in July of 2018 to \$20,000,000. The credit line is secured against the Company's cash and other non-cash assets. The line of credit bears interest at Libor plus 2.0% (at October 31, 2018 – 2.3% (2017 – 1.26%)). At October 31, 2018, the balance outstanding was \$Nil (2017 - \$Nil).

In April of 2017, the Company's wholly-owned Canadian subsidiary, EBC established a CDN\$3,000,000 revolving line of credit with Bank of Montreal which was increased in June of 2018 to CDN\$6,000,000 (\$4,565,515) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus 0.5% (at October 31, 2018 – 3.95% (2017 – 3.2%)). At October 31, 2018, the balance outstanding was \$Nil (2017 - \$Nil).

Interest expense relates to interest payments on lines of credit. Interest expense was \$369,724 at October 31, 2018 (2017- \$162,554).

**13. Fair Value Measurement of Financial Instruments**

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as outlined in Note 2.

The fair value determination is the estimated amount that the Company would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2018 and 2017. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

|                         | <b>At October 31, 2018</b> |                |                |                   |
|-------------------------|----------------------------|----------------|----------------|-------------------|
|                         | <b>Level 1</b>             | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>      |
|                         | <b>\$</b>                  | <b>\$</b>      | <b>\$</b>      | <b>\$</b>         |
| <b>Financial assets</b> |                            |                |                |                   |
| Cash                    | 56,402,979                 | -              | -              | 56,402,979        |
| Forward contract assets | -                          | 10,857         | -              | 10,857            |
| <b>Total Assets</b>     | <b>56,402,979</b>          | <b>10,857</b>  | <b>-</b>       | <b>56,413,836</b> |

|                         | <b>At October 31, 2017</b> |                |                |                   |
|-------------------------|----------------------------|----------------|----------------|-------------------|
|                         | <b>Level 1</b>             | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>      |
|                         | <b>\$</b>                  | <b>\$</b>      | <b>\$</b>      | <b>\$</b>         |
| <b>Financial assets</b> |                            |                |                |                   |
| Cash                    | 51,147,685                 | -              | -              | 51,147,685        |
| Forward contract assets | -                          | 17,858         | -              | 17,858            |
| <b>Total assets</b>     | <b>51,147,685</b>          | <b>17,858</b>  | <b>-</b>       | <b>51,165,543</b> |

*Cash (Level 1)*

The Company's cash balances consisting of local and foreign currency notes held in vaults, tills, bank accounts, and in transit are based upon foreign exchange rates quoted in active markets as of October 31, 2018 and 2017.

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**13. Fair Value Measurement of Financial Instruments (continued)**

*Forward contract positions (Level 2)*

The Company's forward contract positions are not traded in active markets. The fair value of these instruments has been determined using observable forward exchange rates. The effects of non-observable inputs are not significant for foreign contract positions.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Accounts receivable
- Restricted cash held in escrow
- Accounts payable and accrued expenses

**14. Risk Management**

The Company's activities expose it to a variety of financial risk: credit risk, foreign currency risk, interest rate risk, and liquidity risk. The Company's risk management policies are designed to minimize the potential adverse effects on the Company's financial performance.

Financial risk management is carried out by the Chief Financial Officer ("CFO") under policies approved by senior management and the Board of Directors. Policies are in place to evaluate and monitor risk and in some cases, prescribe that the Company hedge its financial risks.

The analysis below presents information about the Company's exposure to each of the risks arising from financial instruments and the Company's objectives, policies and processes for measuring and managing these risks.

*Credit Risk*

Credit risk is the risk of financial loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash in bank accounts, accounts receivable and forward contracts from hedging counterparties.

All banking relationships are negotiated by senior management. The Company maintains accounts in high quality financial institutions. At various times, the Company's bank balances exceed insured limits.

The credit risk associated with accounts receivable is limited, as the Company's receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. There is minimal counterparty risk as the majority of the Company's receivables reside with banks, money service business customers and other financial institutions. The company has longstanding relationships with most of its money service business customers and has a strong repayment history. For the purpose of risk control, the customers are grouped as follows: domestic and international banks, money service businesses, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance. These limits are reviewed regularly by senior management. Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods.

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**14. Risk Management (continued)**

A breakdown of accounts receivable by category is below:

|   | At October 31, 2018 | At October 31, 2017 |
|---|---------------------|---------------------|
| Customer type                                     | \$                  | \$                  |
| Domestic and international financial institutions | 4,883,305           | 3,625,821           |
| Money service businesses                          | 4,611,497           | 2,674,168           |
| Other   | 145,095             | 144,042             |
| <b>Total</b>                                      | <b>9,639,897</b>    | <b>6,444,031</b>    |

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position. There are no commitments that could increase this exposure to more than the carrying amount.

*Foreign Currency Risk*

The volatility of the Company's foreign currency holdings may increase as a result of the political and financial environment of the corresponding issuing country. Several currencies have limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use in certain instances of forward contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. In order to mitigate the risks associated with holding these foreign currencies, the Company assigns wider bid/ask spreads and maintains specific inventory targets to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand within acceptable risk tolerances. The amount of unhedged inventory held in vaults, tills and in transit at October 31, 2018 was approximately \$7,440,000 (2017 - \$7,930,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$5,360,000 (2017 - \$5,320,000). A 2% increase/reduction in the market price for the aggregate of the Company's unhedged/un-pegged foreign currencies would result in an exchange gain/loss of approximately +\$107,000/- \$107,000 (2017 gain/loss of approximately +\$106,000/- \$106,000).

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the U.S. Dollar and the Canadian Dollar, being the functional currency of its Canadian subsidiary. The Company does not hedge its net investment in its Canadian subsidiary and the related foreign currency translation of its earnings.

*Interest Rate Risk*

At October 31, 2018, the Company had access to interest bearing financial instruments in cash, short term accounts payable and line of credit. A significant amount of the Company's cash is held as foreign currency bank notes in tills and vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company's accounts are interest bearing; however, since prevailing interest rates are low there is minimal interest rate risk. Borrowings bear interest at variable rates. Cash and borrowings issued at variable rates expose the Company to cash flow interest rate risk. For the interest rate profile of the Company's interest-bearing financial liabilities, refer to Note 12.

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**14. Risk Management (continued)**

The Company manages interest rate risk in order to reduce the volatility of the financial results as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, senior management focuses on an internal long-term benchmark interest rate and considers the amount of cash currently held at a variable interest rate. Currently the interest rate exposure is un-hedged.

If interest rates had been 50 basis points higher/lower with all other variables held constant, after tax profit for the year ended October 31, 2018 would have been approximately +\$42,200/- \$42,200 higher/lower as a result of credit lines held at variable interest rates.

*Liquidity Risk*

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The CFO informs the Chief Executive Officer, the Board of Directors, and the Audit Committee of capital and liquidity issues as they occur in accordance with established policies and guidelines. The Company targets to have a cash reserve or credit lines greater than 15% of the Company's prior year's revenues.

The following are non-derivative contractual financial liabilities:

| Non-derivative financial liabilities | At October 31, 2018 |                              | This fiscal year | Future fiscal years |
|--------------------------------------|---------------------|------------------------------|------------------|---------------------|
|                                      | Carrying amount     | Estimated contractual amount |                  |                     |
|                                      | \$                  | \$                           | \$               | \$                  |
| Accounts payable                     | 8,312,778           | 8,312,778                    | 8,312,778        | \$Nil               |
| Accrued expenses                     | 2,232,559           | 2,045,707                    | 2,045,707        | \$Nil               |

| Non-derivative financial liabilities | At October 31, 2017 |                              | Next fiscal year | Future fiscal years |
|--------------------------------------|---------------------|------------------------------|------------------|---------------------|
|                                      | Carrying amount     | Estimated contractual amount |                  |                     |
|                                      | \$                  | \$                           | \$               | \$                  |
| Accounts payable                     | 4,939,749           | 4,939,749                    | 4,939,749        | \$Nil               |
| Accrued expenses                     | 2,115,943           | 1,885,351                    | 1,885,351        | \$Nil               |
| Income taxes payable                 | 419,917             | 419,917                      | 419,917          | \$Nil               |

The Company had available unused lines of credit amounting to \$24,565,515 at October 31, 2018 (October 31, 2017 - \$17,326,844).

*Capital Management*

The Company manages capital through its financial and operational forecasting processes. The Company defines working capital as total current assets less current liabilities. The Company reviews its working capital and forecasts its cash flows based on operating expenditures, and other investing and financing activities related to its daily operations.

|                     | At October 31, 2018 | At October 31, 2017 |
|---------------------|---------------------|---------------------|
| Current assets      | 70,028,474          | 60,253,686          |
| Current liabilities | (10,545,337)        | (7,475,609)         |
| Working capital     | 59,483,137          | 52,778,077          |

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**14. Risk Management (continued)**

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, obtaining loan financing, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

**15. Foreign Currency Forward Contracts**

The Company enters into non-deliverable foreign currency forward contracts on a daily basis to mitigate the risk of fluctuations in the exchange rates of its holdings of major currencies. Changes in the fair value of the contracts and the corresponding gains or losses are recorded daily and are included in commission revenues on the consolidated statements of income and comprehensive income. The Company's management strategy is to reduce the risk of fluctuations associated with foreign exchange rate changes.

The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated.

The fair value of forward contracts, which represents the amount that would be received/(paid) by the Company if the forward contracts were terminated at October 31, 2018 was \$10,857 (2017 - \$17,858).

At October 31, 2018 and October 31, 2017 approximately \$1,998,942 and \$1,972,168, respectively, were being held as collateral on these contracts and are reflected as restricted cash held in escrow in the consolidated statements of financial position. See Note 6.

**16. Equity**

*Share Capital*

The authorized share capital consists of 100,000,000 common shares. The common shares have a par value of \$1.00. The options exercised during the current and prior periods are summarized as follows:

| Period Exercised | Number of shares |    | USD value |    | CDN\$ value |
|------------------|------------------|----|-----------|----|-------------|
| Q1 2017          | 15,000           | \$ | 85,376    | \$ | 112,500     |
| Q2 2017          | 83,363           | \$ | 652,742   | \$ | 871,666     |
| Q3 2017          | 5,594            | \$ | 57,077    | \$ | 75,757      |
| Q4 2017          | 47,229           | \$ | 407,929   | \$ | 513,709     |
| Q1 2018          | -                |    | -         |    | -           |
| Q2 2018          | -                |    | -         |    | -           |
| Q3 2018          | 132,258          | \$ | 1,495,848 | \$ | 1,957,765   |
| Q4 2018          | 11,981           | \$ | 211,740   | \$ | 280,767     |

*Stock options*

The Company adopted an incentive stock option plan dated April 28, 2011 and was amended most recently October 20, 2017 (the "**Plan**"). The Plan is a rolling stock option plan, under which 10% of the outstanding shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company to attract and retain directors, senior officers, employees, and management. Under the terms of the Plan, vesting under the Plan will occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant, and the options have a five-year term, unless otherwise specified by the Board of Directors.

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**16. Equity (continued)**

The outstanding options at October 31, 2018 and 2017 and the respective changes during the periods are summarized as follows:

| Date of Grant | Expiry Date | Share price at grant date (CDN\$) | Amount granted | Risk-free interest rate | Expected volatility | Exercise Price (Cdn\$)* | Fair value of option at grant date (\$) |
|---------------|-------------|-----------------------------------|----------------|-------------------------|---------------------|-------------------------|---|
| 30-Oct-14     | 30-Oct-19   | 18.00                             | 87,215         | 1.61%                   | 27%                 | 16.21                   | 4.97                                    |
| 30-Oct-14     | 30-Oct-19   | 18.00                             | 24,144         | 1.61%                   | 27%                 | 16.21                   | 4.97                                    |
| 30-Oct-15     | 30-Oct-20   | 23.50                             | 28,972         | 1.47%                   | 32%                 | 24.64                   | 5.10                                    |
| 30-Oct-15     | 30-Oct-20   | 23.50                             | 89,435         | 1.47%                   | 32%                 | 24.64                   | 5.10                                    |
| 16-Jan-16     | 16-Jan-21   | 17.89                             | 17,600         | 1.46%                   | 33%                 | 17.79                   | 3.86                                    |
| 11-Mar-16     | 11-Mar-21   | 21.30                             | 4,182          | 1.45%                   | 34%                 | 22.78                   | 4.78                                    |
| 26-Oct-16     | 25-Oct-21   | 32.96                             | 22,757         | 1.30%                   | 34%                 | 30.75                   | 8.46                                    |
| 26-Oct-16     | 25-Oct-21   | 32.96                             | 66,820         | 1.30%                   | 34%                 | 30.75                   | 8.46                                    |
| 6-Jun-17      | 6-Jun-22    | 20.79                             | 9,865          | 1.71%                   | 37%                 | 21.53                   | 5.27                                    |
| 26-Oct-17     | 26-Oct-22   | 26.84                             | 19,673         | 2.07%                   | 36%                 | 25.52                   | 7.69                                    |
| 26-Oct-17     | 26-Oct-22   | 26.84                             | 67,213         | 2.07%                   | 36%                 | 25.52                   | 7.69                                    |
| 9-Aug-18      | 9-Aug-23    | 30.93                             | 10,200         | 2.80%                   | 31%                 | 30.69                   | 7.74                                    |
| 23-Oct-18     | 23-Oct-23   | 28.01                             | 32,501         | 3.10%                   | 29%                 | 30.77                   | 5.92                                    |
| 23-Oct-18     | 23-Oct-23   | 28.01                             | 111,111        | 3.10%                   | 29%                 | 30.77                   | 5.92                                    |

\*Exercise price determined by average share price for previous 20 trading days

|  | Number of options # | Weighted average price CDN\$ |
|--|---------------------|------------------------------|
| <b>Outstanding at October 31, 2016</b> | 521,592             | 18.50                        |
| Granted                                | 111,885             | 25.17                        |
| Exercised                              | (128,613)           | 9.99                         |
| Cancelled through cashless exercise    | (22,572)            | 17.28                        |
| Forfeited                              | (40,069)            | 25.54                        |
| <b>Outstanding at October 31, 2017</b> | 442,223             | 22.31                        |
| Granted                                | 153,812             | 30.76                        |
| Exercised                              | (144,239)           | 15.61                        |
| Cancelled through cashless exercise    | (1,991)             | 20.61                        |
| Forfeited                              | (25,310)            | 26.35                        |
| <b>Outstanding at October 31, 2018</b> | 424,495             | 27.42                        |

The following options are outstanding and exercisable at October 31, 2018:

| Grant Date   | Exercise price (CDN\$) | Number outstanding | Average remaining contractual life (years) | Number exercisable |
|--------------|------------------------|--------------------|--|--------------------|
| 30-Oct-14    | 16.21                  | 9,971              | 1.00                                       | 9,971              |
| 30-Oct-14    | 16.21                  | 8,048              | 1.00                                       | 8,048              |
| 30-Oct-15    | 24.64                  | 20,148             | 2.00                                       | 20,148             |
| 30-Oct-15    | 24.64                  | 55,662             | 2.00                                       | 55,662             |
| 16-Jan-16    | 17.79                  | 11,733             | 2.21                                       | 5,866              |
| 11-Mar-16    | 22.78                  | 4,182              | 2.36                                       | 2,788              |
| 26-Oct-16    | 30.75                  | 16,255             | 2.99                                       | 16,255             |
| 26-Oct-16    | 30.75                  | 52,212             | 2.99                                       | 34,808             |
| 6-Jun-17     | 21.53                  | 5,586              | 3.60                                       | 1,862              |
| 26-Oct-17    | 25.52                  | 19,673             | 3.99                                       | 19,673             |
| 26-Oct-17    | 25.52                  | 67,213             | 3.99                                       | 22,404             |
| 9-Aug-18     | 30.69                  | 9,084              | 4.78                                       | -                  |
| 9-Aug-18     | 30.69                  | 1,116              | 4.78                                       | -                  |
| 23-Oct-18    | 30.77                  | 32,501             | 4.98                                       | -                  |
| 23-Oct-18    | 30.77                  | 111,111            | 4.98                                       | -                  |
| <b>Total</b> |                        | <b>424,495</b>     |  | <b>197,485</b>     |

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**Notes to the Consolidated Financial Statements**  
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**17. Earnings per Share**

The calculation of earnings per share is presented below. Diluted earnings per share for the years ended October 31, 2018 and 2017 included all stock option grants with the exception of the options granted on October 26, 2016, August 9, 2018, and October 23, 2018, as the strike price exceeded the average stock price for the 12-month period ending October 31, 2018.

|   | Year ended       |                  |
|---|------------------|------------------|
|   | October 31, 2018 | October 31, 2017 |
| <b>Basic</b>                                  |                  |                  |
| Net income                                    | \$4,227,243      | \$3,821,469      |
| Weighted average number of shares outstanding | 6,300,026        | 6,198,775        |
| Basic earnings per share                      | \$0.67           | \$0.62           |
| <b>Diluted</b>                                |                  |                  |
| Net income                                    | \$4,227,243      | \$3,821,469      |
| Weighted average number of shares outstanding | 6,344,557        | 6,266,840        |
| Diluted earnings per share                    | \$0.67           | \$0.61           |

**18. Operating expenses**

|                                  | Year ended       |                  |
|----------------------------------|------------------|------------------|
|                                  | October 31, 2018 | October 31, 2017 |
|                                  | \$               | \$               |
| Salaries and benefits            | 15,847,680       | 13,286,617       |
| Rent                             | 3,381,155        | 3,018,722        |
| Legal and professional           | 2,671,996        | 1,842,163        |
| Postage and shipping             | 4,560,283        | 3,449,837        |
| Stock based compensation         | 629,550          | 556,379          |
| Travel and entertainment         | 664,823          | 550,276          |
| Bank service charges             | 757,230          | 344,991          |
| Software maintenance             | 685,320          | 373,954          |
| Losses and shortages             | 307,029          | 167,993          |
| Insurance                        | 361,270          | 339,067          |
| Other general and administrative | 1,094,000        | 625,712          |
| Operating expenses               | 30,960,337       | 24,555,711       |

**19. Compensation of Key Management Personnel and Related Party Transactions**

In accordance with IAS 24 *Related Party Disclosures*, key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel during the years ended October 31, 2018 and 2017 were as follows:

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
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**19. Compensation of Key Management Personnel and Related Party Transactions (continued)**

|                          | Year ended       |                  |
|--------------------------|------------------|------------------|
|                          | October 31, 2018 | October 31, 2017 |
|                          | \$               | \$               |
| Short-term benefits      | 2,677,716        | 2,308,625        |
| Post-employment benefits | 82,242           | 99,332           |
| Stock based compensation | 521,918          | 676,565          |
|                          | <u>3,281,876</u> | <u>3,084,522</u> |

The Company incurred legal and professional fees in the aggregate of \$348,421 for the year ended October 31, 2018 (2017 - \$145,404) charged by entities controlled by directors or officers of the Company.

On October 1, 2011, the Company entered into an employment agreement with the President and CEO of the Company. Such agreement contains clauses requiring additional payments of a minimum of \$450,000 to be made upon the occurrence of certain events such as a change of control of the Company or termination for reasons other than cause. As the likelihood of a change of control of the Company is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

Advances between CXI and EBC are provided under a \$20,000,000 Revolving Line of Credit, renewed May 31, 2017; loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At October 31, 2018, the intercompany loan balance was \$5,660,000 (2017 - \$1,100,000) and was eliminated upon consolidation.

**20. Other current assets**

|                           | At October 31, 2018 | At October 31, 2017 |
|---------------------------|---------------------|---------------------|
|                           | \$                  | \$                  |
| Prepaid rent              | 251,855             | 224,067             |
| Prepaid personnel         | 110,414             | 9,755               |
| Prepaid computer software | 171,271             | 52,758              |
| Prepaid insurance         | 263,429             | 134,847             |
| Prepaid advertising       | 45,834              | 79,625              |
| Other current assets      | 292,783             | 170,892             |
| Total                     | <u>1,135,586</u>    | <u>671,944</u>      |

**21. Potential Transaction**

On July 9, 2018 the Company announced its wholly-owned subsidiary EBC has entered into a definitive agreement to acquire the assets of a business operating 22 years primarily in the province of Quebec from the private family owners who were advised by Laurentian Bank Securities. These assets include a total of approximately 400 corporate customers that are engaged in international payments. It is expected that approximately 10 employees will be retained and employed in EBC's new Montreal Office. The transaction is subject to regulatory approval and will not close until all approvals have been obtained.

**22. Subsequent Events**

The Company evaluated subsequent events through January 22, 2019, the date these condensed interim consolidated financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

# Board of Directors



## Randolph W. Pinna

CEO, President, Chairman of the Board of CXI, Director of EBC

Mr. Pinna was appointed the Chief Executive Officer, President and Director of CXI when it began operating in October 2007. From 1989 to 2003, Mr. Pinna was President, Chief Executive Officer and Director of Foreign Currency Exchange Corp. and remained in this role after the friendly acquisition by Bank of Ireland Group until October 2007. Mr. Pinna was responsible for the growth of Foreign Currency Exchange Corp. from a small, one location operation in Tampa, Florida to an international, publicly-traded company listed on the TSX. Mr. Pinna has more than 25 years of experience in international banking with an emphasis on foreign exchange.

## Joseph August

Director of CXI  
Director of EBC  
Independent Board Member

## Chirag Bhavsar

Lead Director of CXI  
Chairman of the Board of EBC  
Independent Board Member

## Johanne Brossard

Director of CXI  
Director of EBC  
Independent Board Member

## Chitwant Kohli

Director of CXI  
Director of EBC  
Independent Board Member

## Mark D. Mickleborough

Director of CXI  
Director of EBC  
Board Member

## V. James Sardo

Director of CXI  
Director of EBC  
Independent Board Member

## Linda Stromme

Director of CXI  
Director of EBC  
Independent Board Member

## Shareholder Information

### Annual Meeting of Shareholders

Shareholders are invited to attend the annual meeting of Currency Exchange International, Corp. to be held on March 7, 2019 at 12:30 p.m. (EST) at:  
333 Bay Street, 46th Floor,  
Toronto, Ontario, Canada M5H 2S5

### Investor Relations

Financial Analysts, portfolio managers and other investors requiring financial information may contact our Investor Relations' departments:

(USA) Telephone: (407) 240 0224  
(USA) Toll-Free: (888) 998 3948  
(USA) Email: [InvestorRelations@ceifx.com](mailto:InvestorRelations@ceifx.com)  
(CANADA) Telephone: (416) 479 9547  
(CANADA) Email: [bill.mitoulas@ceifx.com](mailto:bill.mitoulas@ceifx.com)

### Shareholder Services

For information or assistance regarding your share account, including dividends, changes of address or ownership, lost certificates, to eliminate duplicate mailings or to receive shareholder material electronically, please contact our Transfer Agents in Canada.

### Transfer Agent

Computershare Investor Services  
100 University Ave, 8th Floor, South Tower  
Toronto, Ontario Canada M5J 2Y1

Telephone: (800) 564 6253 (Toll Free)  
Facsimile: (888) 453 0330 (Toll Free)  
Web Site: [www.computershare.com](http://www.computershare.com)

Computershare offices are also located in Calgary, Halifax, Montreal, Richmond Hill and Vancouver.

### Auditors

Grant Thornton LLP  
Chartered Professional Accountants  
Licensed Professional Accountants  
Mississauga, Canada



**CURRENCY EXCHANGE**  
**INTERNATIONAL**

Currency Exchange International, Corp.  
6675 Westwood Boulevard, Suite 300  
Orlando, Florida 32821  
U.S.A.  
[www.ceifx.com](http://www.ceifx.com)  
U.S.A. (888) 998 3948

Exchange Bank of Canada  
390 Bay Street  
Toronto, Ontario M5H 2Y2  
Canada  
[www.ebcfx.com](http://www.ebcfx.com)  
Canada (888) 223 3934