

CURRENCY EXCHANGE INTERNATIONAL, CORP.

Condensed Interim Consolidated Financial Statements
For the three month periods ended January 31, 2016 and 2015
(Expressed in U.S. Dollars)
(Unaudited)

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Management's Responsibility for Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Currency Exchange International, Corp. (the "**Company**") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management's representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Randolph Pinna"
Randolph Pinna
President and Chief Executive Officer

(signed) "Peter Scherer"
Peter Scherer
Chief Financial Officer

Orlando, Florida
March 8, 2016

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Condensed Interim Consolidated Statements of Financial Position
January 31, 2016 and October 31, 2015
(Expressed in U.S. Dollars)
(Unaudited)

ASSETS

	<u>January 31, 2016</u>	<u>October 31, 2015</u>
Current assets	\$	\$
Cash (Note 5)	39,069,208	43,690,996
Accounts receivable	4,981,490	2,837,689
Restricted cash held in escrow (Note 6)	1,636,023	780,583
Forward contract assets (Note 14)	47,125	210,367
Income taxes receivable	232,852	129,403
Other current assets (Note 20)	564,227	507,750
Total current assets	<u>46,530,925</u>	<u>48,156,788</u>
Property and equipment (Note 8)	750,586	722,187
Intangible assets (Note 9)	2,697,819	2,922,390
Other assets	82,804	81,045
Net deferred tax asset	484,307	359,586
Total assets	<u><u>50,546,441</u></u>	<u><u>52,241,996</u></u>

LIABILITIES AND EQUITY

Current liabilities		
Accounts payable	1,947,922	3,190,957
Accrued expenses	951,274	973,067
Contingent consideration - current (Note 3)	706,958	641,406
Total current liabilities	<u>3,606,154</u>	<u>4,805,430</u>
Total liabilities	3,606,154	4,805,430
Equity		
Share capital	6,117,921	6,117,921
Equity reserves	26,317,880	27,112,536
Retained earnings	14,504,486	14,206,109
Total equity	<u>46,940,287</u>	<u>47,436,566</u>
Total liabilities and equity	<u><u>50,546,441</u></u>	<u><u>52,241,996</u></u>

Commitments and contingencies (Notes 3 and 7)

Subsequent events (Note 21)

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
Three month periods ended January 31, 2016 and 2015
(Expressed in U.S. Dollars)
(Unaudited)

	Three months ended		
	January 31, 2016	January 31, 2015	
Revenues	\$	\$	
Commissions from trading	5,237,493	4,826,345	
Fee income	334,562	367,524	
Total revenues (Note 4)	5,572,055	5,193,869	
Operating expenses (Note 17)	4,677,691	3,951,502	
Net operating income	894,364	1,242,367	
Other income (expense)			
Other income	4,695	3,774	
Expenses related to bank application (Note 18)	(13,409)	(28,744)	
Revaluation of contingent consideration (Note 3)	(65,552)	-	
Total other income (expense)	(74,266)	(24,970)	
Earnings before interest, taxes, depreciation and amortization	820,098	1,217,397	
Interest and accretion	4,239	2,476	
Depreciation and amortization	353,772	336,252	
Income before income taxes	462,087	878,669	
Income tax expense	163,710	525,095	
Net income for the period	298,377	353,574	
Other comprehensive income, after tax			
Net income for the period	298,377	353,574	
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations	(938,337)	(1,117,380)	
Total other comprehensive income	(639,960)	(763,806)	
Earnings per share (Note 16)			
	-basic	\$0.05	\$0.07
	-diluted	\$0.05	\$0.06
Weighted average number of common shares outstanding (Note 16)			
	-basic	6,117,921	5,395,293
	-diluted	6,237,917	5,650,864

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in U.S Dollars)
(Unaudited)

	Share Capital		Equity Reserves				Retained Earnings	Total
	Shares	Amount	Share premium	Accumulated Other Comprehensive Income (Loss)	Stock Options		Amount	Amount
	#	\$	\$	\$	#	\$	\$	\$
Balance at November 1, 2015	6,117,921	6,117,921	28,938,419	(2,787,940)	424,866	962,057	14,206,109	47,436,566
Stock based compensation (Note 15)	-	-	-	-	17,600	143,681	-	143,681
Loss on foreign currency translation	-	-	-	(938,337)	-	-	-	(938,337)
Net income	-	-	-	-	-	-	298,377	298,377
Balance, January 31, 2016	6,117,921	6,117,921	28,938,419	(3,726,277)	442,466	1,105,738	14,504,486	46,940,287
Balance at November 1, 2014	5,395,073	5,395,073	17,167,069	(1,042,915)	486,581	908,049	10,597,899	33,025,175
Stock based compensation	-	-	-	-	-	149,869	-	149,869
Issue of share capital and share premium on exercise of stock options (Note 15)	6,674	6,674	57,979	-	(6,674)	(19,465)	-	45,188
Loss on foreign currency translation	-	-	-	(1,117,380)	-	-	-	(1,117,380)
Net income	-	-	-	-	-	-	353,574	353,574
Balance, January 31, 2015	5,401,747	5,401,747	17,225,048	(2,160,295)	479,907	1,038,453	10,951,473	32,456,426

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Condensed Interim Consolidated Statements of Cash Flows
Three month periods ended January 31, 2016 and 2015
(Expressed in U.S. Dollars)
(Unaudited)

	Three months ended	
	January 31, 2016	January 31, 2015
Cash flows from operating activities	\$	\$
Net income	298,377	353,574
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization	353,772	336,252
Stock based compensation	143,681	149,869
Change in forward contract positions (Note 14)	159,365	46,884
Deferred taxes	(126,577)	(198,775)
Revaluation of contingent consideration (Note 3)	65,552	-
Increase (decrease) in cash due to change in:		
Accounts receivable	(2,269,598)	375,499
Restricted cash held in escrow	(855,440)	46,602
Other assets	(58,942)	(60,792)
Accounts payable, accrued expenses and income taxes	(1,325,290)	(679,811)
Net cash flows from operating activities	(3,615,100)	369,302
Cash flows from investing activities		
Purchase of property and equipment	(125,863)	(109,012)
Purchase of intangible assets	(48,182)	(40,272)
Net cash outflow from investing activities	(174,045)	(149,284)
Cash flows from financing activities		
Proceeds from exercise of stock options	-	45,188
Net borrowings on line of credit	-	445,850
Net cash flows from financing activities	-	491,038
Net change in cash	(3,789,145)	711,056
Cash, beginning of period	43,690,996	29,630,744
Exchange difference on translating foreign operations	(832,643)	(1,027,600)
Cash, end of period	39,069,208	29,314,200
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for income taxes	384,442	1,514,400
Cash paid during the period for interest	4,239	2,476
Cash received during the year for interest	4,694	3,744

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Condensed Interim Consolidated Financial Statements
Three month periods ended January 31, 2016 and 2015 (Unaudited)

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," "CXI.S", and the over the counter market ("**OTCBB**") 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 37 branch locations. The Company's registered head office is located at 6675 Westwood Boulevard, Suite 300, Orlando, Florida, 32821, United States of America.

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), Interim Financial Reporting and do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The accounting policies in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended October 31, 2015. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2015, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**").

The condensed interim consolidated financial statements were authorized for issue and approved by the Board of Directors on March 8, 2016.

2. Future Accounting Pronouncements

Certain pronouncements have been 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 International Accounting Standard ("**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 not yet determined the impact of IFRS 9 on its condensed interim consolidated financial statements.

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 not yet determined the impact of IFRS 15 on its condensed interim consolidated financial statements.

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3. Purchase of assets from U.S. Exchange House, Inc.

On March 28, 2014 the Company purchased certain assets of U.S. Exchange House, Inc. (“USEH”), pertaining to its bank note operations located in the United States and Canada. The Company acquired USEH’s customer trading relationships, certain prepaid and fixed assets and the USEH trading software used to operate the bank note business. The Company paid \$2,350,000 in cash on closing and has two additional contingent payments of up to a maximum of \$1,325,000 each and payable within sixty days of the first and second anniversary after closing. The additional payments are based on the amount of revenue generated from the customer trading relationships acquired.

The Company estimated the likelihood of future revenues to determine the estimated contingent consideration. Management estimated these payments for the first and second anniversary at \$892,723 and \$585,144, respectively, for total contingent consideration of \$1,477,867. The Company allocated this contingent consideration to customer trading relationships. Subsequent to the first anniversary of the closing, the actual amount of contingent consideration paid to USEH was \$767,684. As a result, the Company realized a revaluation adjustment of \$125,039 to the first year’s contingent consideration. At October 31, 2015, the remaining contingent consideration was reassessed and the Company recorded a revaluation of contingent consideration of \$56,262 resulting in a net revaluation of contingent consideration of \$68,777 for the year ended October 31, 2015. At January 31, 2016, the remaining contingent consideration was reassessed and the Company recorded a revaluation of contingent consideration of \$65,552. An increase (decrease) in the estimate of the amount of revenue generated from the customer trading relationships acquired of +/- 10% would increase (decrease) the fair value of the second year’s anniversary contingent consideration by approximately \$30,000.

This transaction did not meet the criteria of an acquisition of a business under IFRS 3 thus the transaction did not result in any goodwill being recognized. The Company allocated the purchase price and contingent consideration of \$3,827,867 as follows:

Customer trading relationships	\$3,288,283
Fixed and prepaid assets	59,584
Computer software	<u>480,000</u>
Total	<u>\$3,827,867</u>

4. Geographical 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 are detailed below:

	Revenues (\$)		
	United States	Canada	Total
Three months ended January 31, 2016	4,784,480	787,575	5,572,055
Three months ended January 31, 2015	2,650,676	2,543,193	5,193,869

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4. Geographical Segments (continued)

Assets	At January 31, 2016			At October 31, 2015		
	United States	Canada	Total	United States	Canada	Total
	\$	\$	\$	\$	\$	\$
Cash	26,669,446	12,399,762	39,069,208	32,102,749	11,588,247	43,690,996
Accounts receivable	2,044,962	2,936,528	4,981,490	1,456,074	1,381,615	2,837,689
Restricted cash held in escrow	1,636,023	-	1,636,023	780,583	-	780,583
Forward contract assets	3,245	43,880	47,125	147,426	62,941	210,367
Income taxes receivable	413,120	(180,268)	232,852	257,166	(127,763)	129,403
Other current assets	554,687	9,540	564,227	496,980	10,770	507,750
Property and equipment	661,697	88,889	750,586	634,800	87,387	722,187
Intangible assets	2,004,979	692,840	2,697,819	2,175,015	747,375	2,922,390
Other assets	82,804	-	82,804	81,045	-	81,045
Net deferred tax asset	455,547	28,760	484,307	332,850	26,736	359,586
Total assets	34,526,510	16,019,931	50,546,441	38,464,688	13,777,308	52,241,996

5. Cash

Included within cash of \$39,069,208 at January 31, 2016 (October 31, 2015 - \$43,690,996) are the following balances:

	At January 31, 2016	At October 31, 2015
	\$	\$
Cash held in tills, vaults, in transit and consignment locations	29,841,991	29,745,213
Cash deposited in bank accounts in jurisdictions in which the Company operates	9,227,217	13,945,783
Total	39,069,208	43,690,996

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 \$1,636,023 at January 31, 2016 (October 31, 2015 - \$780,583).

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 three month period ended January 31, 2016 was \$625,428 (2015 - \$560,411).

CURRENCY EXCHANGE INTERNATIONAL, CORP.
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8. Property and Equipment

Property and equipment consisted of the following:

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost	\$	\$	\$	\$	\$
Balance, October 31, 2014	65,121	213,996	313,517	1,053,677	1,646,311
Additions	-	15,463	125,845	246,151	387,459
Disposals	(16,520)	-	-	-	(16,520)
Net exchange differences	-	(3,404)	(11,139)	(21,211)	(35,754)
Balance, October 31, 2015	48,601	226,055	428,223	1,278,617	1,981,496
Additions	-	9,752	39,765	75,924	125,441
Net exchange differences	-	(1,713)	(4,883)	(7,709)	(14,305)
Balance, January 31, 2016	48,601	234,094	463,105	1,346,832	2,092,632
	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Depreciation	\$	\$	\$	\$	\$
Balance, October 31, 2014	33,701	130,629	178,976	634,925	978,231
Additions	16,200	40,057	72,673	189,260	318,190
Disposals	(16,520)	-	-	-	(16,520)
Net exchange differences	-	(2,281)	(6,464)	(11,847)	(20,592)
Balance, October 31, 2015	33,381	168,405	245,185	812,338	1,259,309
Additions	4,051	9,051	22,322	56,066	91,490
Net exchange differences	-	(1,200)	(3,211)	(4,342)	(8,753)
Balance, January 31, 2016	37,432	176,256	264,296	864,062	1,342,046
	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Carrying amounts	\$	\$	\$	\$	\$
Balance, October 31, 2015	15,220	57,650	183,038	466,279	722,187
Balance, January 31, 2016	11,169	57,838	198,809	482,770	750,586

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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 purchased from USEH (Note 3). Amortization for intangibles is computed on an individual basis over the estimated economic life using the straight-line method as follows:

Internally developed software	5 years
Software purchased from USEH	2 years
Customer trading relationships	5 years

Intangible assets consisted of the following at January 31, 2016:

	Internally developed software	Acquired software	Customer trading relationships	Total
Cost	\$	\$	\$	\$
Balance, October 31, 2014	727,007	480,000	3,288,283	4,495,290
Additions	253,217	-	-	253,217
Balance, October 31, 2015	980,224	480,000	3,288,283	4,748,507
Additions	48,182	-	-	48,182
Balance, January 31, 2016	1,028,406	480,000	3,288,283	4,796,689

	Internally developed software	Acquired software	Customer trading relationships	Total
Amortization	\$	\$	\$	\$
Balance, October 31, 2014	241,121	140,000	383,795	764,916
Amortization	163,544	240,000	632,831	1,036,375
Net exchange differences	-	-	24,826	24,826
Balance, October 31, 2015	404,665	380,000	1,041,452	1,826,117
Amortization	48,501	60,000	153,781	262,282
Net exchange differences	-	-	10,471	10,471
Balance, January 31, 2016	453,166	440,000	1,205,704	2,098,870

	Internally developed software	Acquired software	Customer trading relationships	Total
Carrying amounts	\$	\$	\$	\$
Balance, October 31, 2015	575,559	100,000	2,246,831	2,922,390
Balance, January 31, 2016	575,240	40,000	2,082,579	2,697,819

10. 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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11. Line of credit

The Company maintains a line of credit for access to capital during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A. for up to \$10,000,000. 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 January 31, 2016 – 2.42%). At January 31, 2016, the balance outstanding was \$Nil (October 31, 2015 - \$Nil).

12. Fair Value Measurement of Financial Instruments

IAS 34 requires that interim financial statements include certain disclosures about the fair value of financial instruments as set out in IFRS 13 and IFRS 7. These disclosures include the classification of fair values within a three-Level hierarchy. The three Levels are defined based on the observation of significant inputs to the measurement, as follows:

- 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
- Level 3: unobservable inputs for the asset or liability

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 three month period ended January 31, 2016 and the year ended October 31, 2015. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

	At January 31, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Cash	39,069,208	-	-	39,069,208
Forward contract assets	-	47,125	-	47,125
Total assets	<u>39,069,208</u>	<u>47,125</u>	<u>-</u>	<u>39,116,333</u>
Financial Liabilities				
Contingent consideration	-	-	706,958	706,958
Total liabilities	<u>-</u>	<u>-</u>	<u>706,958</u>	<u>706,958</u>
	At October 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Cash	43,690,996	-	-	43,690,996
Forward contract assets	-	210,367	-	210,367
Total assets	<u>43,690,996</u>	<u>210,367</u>	<u>-</u>	<u>43,901,363</u>
Financial Liabilities				
Contingent consideration	-	-	641,406	641,406
Total liabilities	<u>-</u>	<u>-</u>	<u>641,406</u>	<u>641,406</u>

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12. Fair Value Measurement of Financial Instruments (continued)

Cash (Level 1)

The Company's cash balances consisting of local and foreign currency notes held in tills, vaults, bank accounts, and in transit are based upon foreign exchange rates quoted in active markets as of January 31, 2016 and October 31, 2015.

Forward contract positions (Level 2)

The Company's forward contract positions are not traded in active markets. These have been fair valued using observable forward exchange rates. The effects of non-observable inputs are not significant for foreign contract positions.

Contingent Consideration (Level 3)

The fair value of contingent consideration, related to the USEH asset acquisition described in Note 3, is estimated based on the amount of revenue expected to be generated from the acquired customer trading relationships. The significant input for the fair value estimate is management's estimate of revenues from acquired customers to continue transacting with the Company. For information about the sensitivity of the fair value measurement to the changes in the input at January 31, 2016, see Note 3. The fair value estimate of cash outflows is \$641,406 at January 31, 2016. This reflects management's best estimate of a retention rate of key acquired customers.

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, accrued expenses, and income taxes receivable

13. 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.

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13. Risk Management (continued)

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.

A breakdown of accounts receivable by category is below:

	At January 31, 2016	At October 31, 2015
Customer type	\$	\$
Domestic and international banks	567,456	1,217,511
Money service businesses	4,371,771	1,600,658
Other	42,263	19,520
Total	4,981,490	2,837,689

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 January 31, 2016 was approximately \$5,945,000 (October 31, 2015 - \$5,475,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$4,575,000 (October 31, 2015 - \$3,660,000). 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 +\$92,000/-\$92,000 (October 31, 2015 gain/loss of approximately +\$73,000/-\$73,000).

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.

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13. Risk Management (continued)

Interest Rate Risk

At January 31, 2016, the Company had access to interest bearing financial instruments in cash and short term accounts payable. 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 11.

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 three month period ended January 31, 2016 would have been approximately +\$1,250/- \$1,250 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:

At January 31, 2016

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	\$	\$	\$	\$
Accounts payable	1,947,922	1,947,922	1,947,922	\$Nil
Accrued expenses	951,274	741,790	741,790	\$Nil
Contingent consideration	706,958	706,958	706,958	\$Nil

At October 31, 2015

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	\$	\$	\$	\$
Accounts payable	3,190,957	3,190,957	3,190,957	\$Nil
Accrued expenses	973,067	770,361	770,361	\$Nil
Contingent consideration	641,406	641,406	641,406	\$Nil

The Company had available unused lines of credit amounting to \$10,000,000 at January 31, 2016 and October 31, 2015.

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13. Risk Management (continued)

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.

	January 31, 2016	October 31, 2015
Current assets	46,530,925	48,156,788
Current liabilities	<u>(3,606,154)</u>	<u>(4,805,430)</u>
Working Capital	<u>42,924,771</u>	<u>43,351,358</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.

14. 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 commissions from trading 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 by the Company if the forward contracts were terminated at January 31, 2016 was \$47,125 - (October 31, 2015 \$210,367).

At January 31, 2016 and October 31, 2015 approximately \$1,636,023 and \$780,583, 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.

15. Equity

Share Capital

The authorized share capital consists of 100,000,000 common shares. The common shares have a par value of \$1.00.

In January of 2015, 6,674 employee stock options were exercised for proceeds of \$45,188 (Cdn\$56,577).

In June of 2015, 176,174 employee and director stock options were exercised for proceeds of \$1,197,029 (Cdn\$1,495,164). Upon exercise of the options, the Company deducted the difference between the fair market value of the options and the option strike price from taxable income resulting in a reduction in current income tax payable of \$990,000 during the three month period ended July 31, 2015.

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15. Equity (continued)

On March 12, 2015, the Company completed a bought deal private placement offering (“**Offering**”) by issuing 540,000 common shares at a price of \$21.06 (Cdn\$26.75) for aggregate gross proceeds of \$11,371,104 (Cdn\$14,445,000). In connection with the Offering, the Company paid commission to the agents in the amount of \$596,983 and incurred other professional fees and expenses of \$108,516 for a total cost of \$705,499. \$650,715 of the fees were deducted from the gross proceeds for net financing of \$10,720,389. \$58,720 related to the listing of the common shares was expensed in the period.

Stock options

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.

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 (\$)
4-May-12	4-May-17	7.30	90,000	0.78%	45%	7.50	2.84
17-Dec-12	18-Dec-17	6.75	116,000	0.74%	49%	7.50	2.66
3-May-13	3-May-18	7.35	22,000	0.73%	38%	7.65	2.42
29-Oct-13	29-Oct-18	10.86	35,640	1.29%	35%	10.86	3.44
29-Oct-13	29-Oct-18	10.86	114,420	1.29%	35%	10.86	3.44
9-Jul-14	9-Jul-19	13.24	1,762	1.70%	29%	13.24	3.58
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
11-Mar-15	11-Mar-20	28.40	2,726	1.62%	25%	28.15*	5.75
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

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

The outstanding options at January 31, 2016 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price Cdn\$
Outstanding at October 31, 2014	486,581	10.54
Granted	121,133	24.72
Exercised	(182,848)	8.49
Outstanding at October 31, 2015	424,866	15.49
Issued	17,600	17.79
Outstanding at January 31, 2016	442,466	15.58

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15. Equity (continued)

The following options are outstanding and exercisable at January 31, 2016:

Grant Date	Exercise price (Cdn\$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
4-May-12	7.50	45,000	1.26	45,000
17-Dec-12	7.50	40,001	1.88	40,001
3-May-13	7.65	7,333	2.25	-
29-Oct-13	10.86	23,760	2.75	23,760
29-Oct-13	10.86	76,280	2.75	38,140
30-Oct-14	16.21	87,215	3.75	29,071
30-Oct-14	16.21	24,144	3.75	24,144
11-Mar-15	28.15	2,726	4.11	-
30-Oct-15	24.64	28,972	4.75	7,243
30-Oct-15	24.64	89,435	4.75	-
16-Jan-16	17.79	17,600	4.96	-
Total		442,466		207,359

16. Earnings per Share

The calculation of earnings per share is presented below. Diluted earnings per share for the three month period ended January 31, 2016 include all stock option grants with the exception of the options granted October 31, 2015 and January 16, 2016 as the strike price exceeded the average stock price from the date of the option grant. Diluted earnings per share for the three month period ended January 31, 2015 included all stock options outstanding.

	Three months ending	
	January 31, 2016	January 31, 2015
Basic		
Net income	\$298,377	\$353,574
Weighted average number of shares outstanding	6,117,921	5,395,293
Basic earnings per share	\$0.05	\$0.07
Diluted		
Net income	\$298,377	353,574
Weighted average number of shares outstanding	6,237,917	5,650,864
Diluted earnings per share	\$0.05	\$0.06

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17. Operating expenses

	Three months ended	
	January 31, 2016	January 31, 2015
	\$	\$
Salaries and benefits	2,535,992	2,226,691
Rent	625,428	560,411
Legal and professional	288,296	258,353
Postage and shipping	549,064	337,384
Stock based compensation	143,681	149,869
Other general and administrative	535,230	418,794
Operating expenses	<u>4,677,691</u>	<u>3,951,502</u>

18. Expenses Related to Bank Application

On November 23, 2012, the Company submitted its application to continue its wholly-owned Canadian subsidiary, Currency Exchange International of Canada Corp., as a new Canadian Schedule I bank. Subject to review and approval of the application by the Office of the Superintendent of Financial Institutions (“OSFI”) and the Minister of Finance, the new bank will be called “Exchange Bank of Canada” and will have its head office in Toronto. The Company continues to hold regular communications with OSFI in pursuit of its banking license. During the three month period ended January 31, 2016, the Company recognized legal and administrative expenses of \$13,409 in relation to the application process (2015 – \$28,744).

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 three month period ended January 31, 2016 and 2015 was as follows:

	Three months ended	
	January 31, 2016	January 31, 2015
	\$	\$
Short-term benefits	418,032	328,410
Post-employment benefits	35,691	24,566
Stock based compensation	<u>132,345</u>	<u>146,531</u>
	<u>586,068</u>	<u>499,507</u>

The Company incurred legal and professional fees in the aggregate of \$9,703 for the three month period ended January 31, 2016 (2015 - \$22,889) charged by entities controlled by directors or officers of the Company.

On November 1, 2014, the Company completed a reorganization of its corporate structure resulting in a one-time increase in income taxes of approximately \$190,000. This tax liability occurred as a result of the fair value increase in its investment in a subsidiary and was recorded in its entirety in the first quarter of 2015.

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20. Other current assets

	<u>At January 31, 2016</u>	<u>At October 31, 2015</u>
	\$	\$
Prepaid rent	183,135	175,128
Prepaid insurance	90,463	105,187
Due on debit and credit cards	56,835	85,554
Other assets	233,794	141,881
Total	<u>564,227</u>	<u>507,750</u>

21. Subsequent Events

The Company evaluated subsequent events through March 8, 2016, 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.